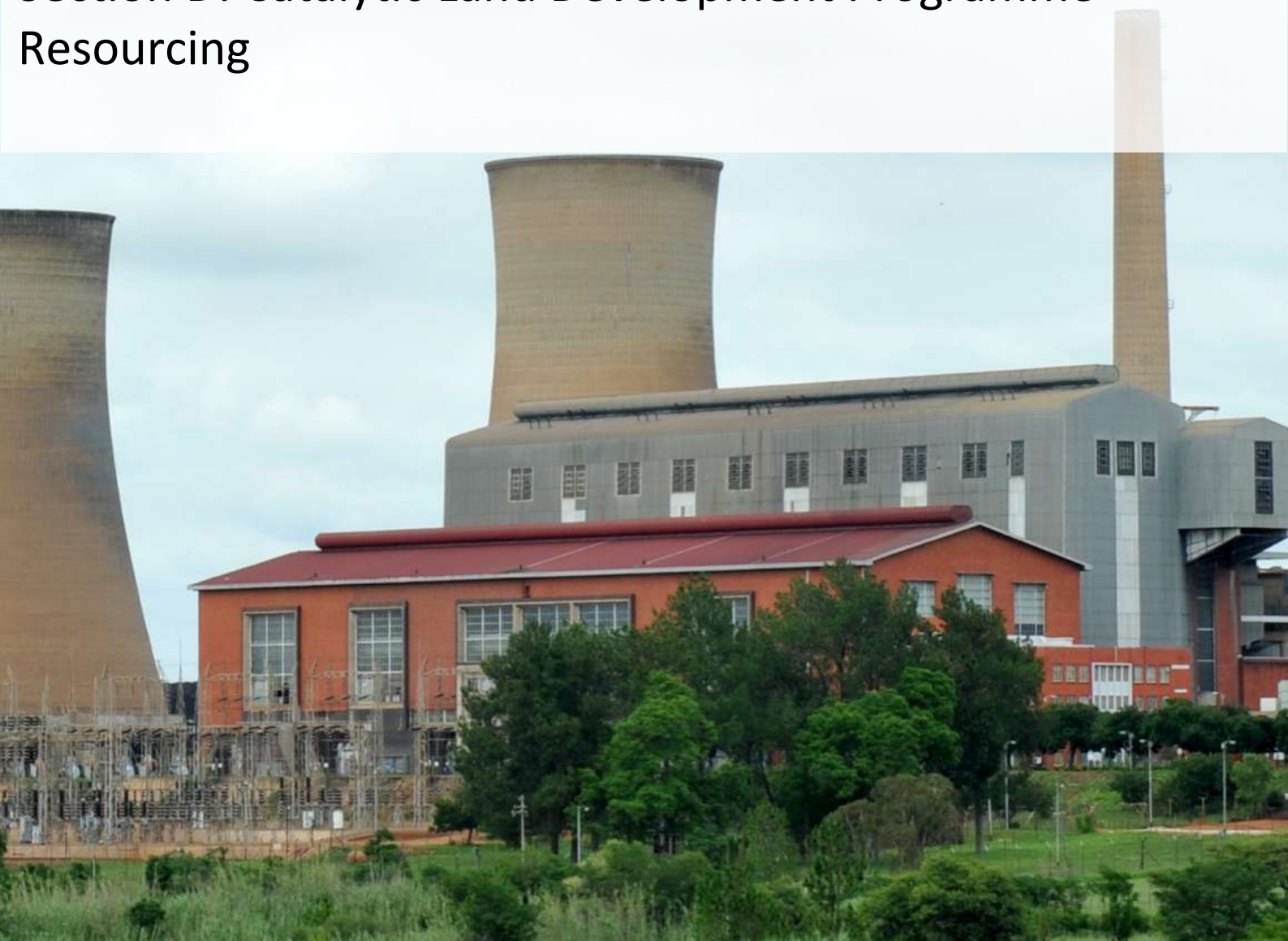


Section D: Catalytic Land Development Programme Resourcing



Section D: Catalytic Land Development Programme Resourcing

Section C focussed on the identification, delineation and preparation of Catalytic Land Development Programmes (CLDP) through identifying spatially targeted focus areas for investment. Spatial priorities and achieving the outcomes for catalytic land investment should receive priority during the allocating of financial resources in order to catalyse capital investment towards spatial transformation. This aligns with the City's principle to achieve spatial transformation, but critically also requires focus on sustainable financial resourcing to achieve this.

In terms of the City's Theory of Change, the principle for the City to achieve financial sustainability builds on the principles of spatial transformation and collaborative planning, implementation and management. Sections B and C focussed on the "where?" and the "why" of capital investment, whereas section D will focus on "how?" these strategies will be financed sustainably as well as building a strategy to achieve and maintain sustainable financial growth and investment. Although the majority of Section D focusses on the principle of financial sustainability, outcomes from the spatial transformation principle plays a vital role in establishing the foundation for financial resourcing and ensuring good governance practices.

Figure 59 Theory of Change



The principle of financial sustainability shapes the vision of achieving an integrated Long-term Financial Strategy (LTFS) to guide and facilitate sustainable resourcing of capital investment. The outcomes required to achieve this includes the determination of a sustainable affordability envelope and optimal funding mix through integrated long-term financial planning, improved financial management, scenario planning through testing of CLDP affordability and an annual budgeting process which adheres to good finance and planning standards and best practices.

Actioning these outcomes include the utilisation of a Long-term Financial Model (LTFM) as part of the annual capital budget planning and preparation process. This will guide the City in determining sustainable and affordable funding envelopes, based on a sustainable mix of funding resources, and applying this to the capital project investment portfolio (CLDP) to determine the optimal capital project investment list based on spatially targeted prioritisation. Through actioning these outcomes, the City will achieve an integrated capital investment budget which supports spatial transformation and sustainable development. The City will also achieve quantifiable targets which supports and informs decision making to achieve long-term financial sustainability together with sound governance principles.

In terms of the BEVC, the following section has been structured to align to the third component within the value chain and describes the process of catalysing spatial transformation through the use of a LTFS to sustain the investment portfolio.

To achieve this, the City has established the use of a spatially enabled Capital Planning and Prioritisation System (CAPS) to identify and prioritise capital investment portfolios (CLDP). The prioritisation process considers, amongst other things, the economic impact and spatial priorities of Tshwane. Once prioritisation has been undertaken, the prioritised portfolio of projects is subjected to a rule-based budgeting process in order to prepare a budget scenario. In this process, provision is made for minimal subjective manual intervention and adjustments to the capital budget. Depending on the extent of the adjustments made, the final recommended budget-book is tested in terms of strategy alignment to ensure that the budget scenario is responsive to the strategic and spatial priorities of the City. Refer to Chapter 18 Budget Scenario, for a detailed description of the budgeting process and results.

In a concurrent and iterative process, the City's LTFM is developed, refined and applied making use of the City's financial history, its funding position, economic outlook and a number of other considerations. One of the functions of the LTFM is to provide a basis and serve as input in developing a LTFS for the City. The LTFS serves as a medium- to long-term financial roadmap for the City and provides strategic direction on financial management and policy choices to be considered for implementation to improve and sustain the financial position of the City.

17 Long-Term Financial Sustainability

17.1 Introduction

The City of Tshwane makes use of a Long-term Financial Model (LTFM) to inform the Medium-term Revenue and Expenditure Framework compilation. The model is updated taking into consideration economic changes, guidelines from the national and provincial spheres, strategic and policy direction of the municipality to ensure sustainability and goal orientated service delivery.

The LTFM is utilised to ensure financial affordability and sustainability over the medium to long-term and is considered a key financial planning tool.

This preliminary report provides an overview of the main findings of analysis on the City's current external environment and the results obtained from the long-term financial model. Information used in this document was obtained from the unaudited 2018/19 Consolidated Annual Financial Statements due to unavailability of the final audited statements at the time of preparation in December 2019. A report based on the Audited Annual Financial Statements will be submitted in the final BEPP document in May 2020.

17.2 Preliminary Findings

The report provides both a summary of historic financial analysis for the period 2011-2019 and a forward-looking 10-year forecast from the current FY 2020 to FY 2029.

Based on the historic analysis the following are important:

- The CoT has the capacity to generate significant cash from its own operations, with a Redemption fund of R889 million; Short-term Investments of R2.6 billion and a bank and cash balance of R334 million at the end of FYE2019;
- Capex has however slowed down from levels of over R4.6 billion to FYE 2016 to just over R3.3 billion in 2019.
- In recent years the Balance Sheet position improved from unsustainably high levels of gearing and weak liquidity position to more manageable levels of Gearing and an improved liquidity position.
- Historic expenditure levels are highly dependent on the ability of the City to maintain a collection rate closer to 95% than the 90% at the end of FYE2019.

LTFM forecast:

- On-going urbanisation placing further pressure on the city's infrastructure;
- A slow-down in the economic growth rate also impacts on the City's financial position;
- Capital expenditure remains at current levels over the MTREF-period but then accelerates at an average of 11% per year up to 2029;
- These new levels of Capex are forecast to be increasingly funded through Borrowings;
- But Debt Servicing and Gearing remains within Treasury norms, largely due to revenue from own sources and cash generation capacity of the municipality;
- The Scenario Analysis, which tests an increase or decrease in the revenue collection rate to determine the resilience if the City's financial position, indicates how sensitive the City's financial position is to changes in some variables.
- For instance, the liquidity position becomes negative if the debtor's payment ratio is 2% lower than the current (90%).

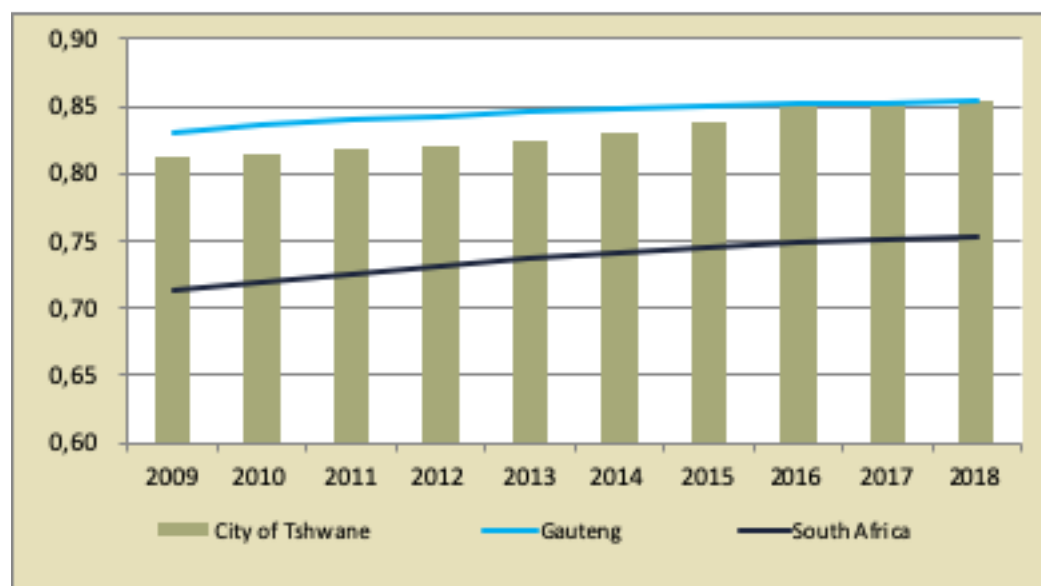
17.3 Infrastructure Perspective

17.3.1 Household Infrastructure

17.3.1.1 Infrastructure Index

The average Infrastructure Index (2008-17), a population-adjusted, access-to-service weighted index which measures a region's overall access to household infrastructure of 0.85 equals the provincial average and exceeds the national index of 0.75. The City's service backlogs decreased during the period, however remained relatively high with regards to sanitation and refuse removal services.

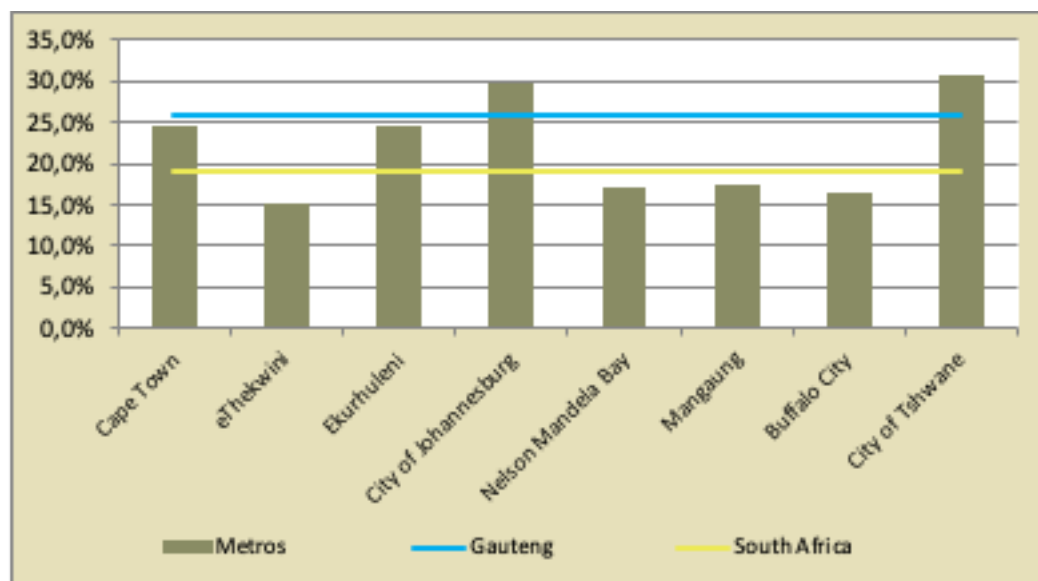
Figure 60 Infrastructure Index (Source: IHS Global Insight)



17.3.1.2 Number of Households

City of Tshwane experienced an increase of 31% in the number of households between 2009 and 2018 which is the highest of the metros in the Country, also higher than the provincial and national average. In 2018 there were approximately 1 100 000 households in the City of Tshwane.

Figure 61 Number of Households



17.3.1.3 Household Infrastructure Provision

By comparing backlogs of sanitation, water, electricity and refuse removal in urban as well as non-urban areas one notes that CoT's infrastructure service delivery backlogs with regards to sanitation and refuse removal is higher, while the infrastructure service delivery backlogs with regards to water and electricity is lower.

Table 18 Household Infrastructure Provision (2018)

Infrastructure	Gauteng		City of Tshwane	
Above RDP Level				
Sanitation	3 156 190	89,0%	663 683	80,9%
Water	3 410 805	96,2%	783 735	95,6%
Electricity	3 037 710	85,6%	703 466	85,8%
Refuse				
Removal	3 152 346	88,9%	669 324	81,6%
Below RDP or None				
Sanitation	390 859	11,0%	156 459	19,1%
Water	136 243	3,8%	36 407	4,4%
Electricity	509 338	14,4%	116 676	14,2%
Refuse				
Removal	394 702	11,1%	150 819	18,4%
Total Number of Households	3 547 048	100,0%	820 142	100,0%

17.4 Financial Model

17.4.1 Affordable Future Capital Investment

The total Capex demand is determined as part of the capital prioritisation exercise. Affordable Capex in the draft MTREF amounts to R13.5 billion. Preliminary results of the long-term financial model show an affordable capital expenditure envelope for the 10-year planning period of R48 billion. This amount is subject to the City's optimal performance as well as stability in external factors (economic and

demographic indicators) based on the assumptions used in the model. The proposed Capex funding mix for both the draft MTREF and preliminary LTFM results are respectively and briefly discussed hereafter.

17.4.1.1 MTREF Capital Funding Mix

The City's MTREF budget 2019/20 – 2021/22 expects a capital budget amounting to

R13.5 billion and funded as follows:

Table 19 MTREF Capital Funding Mix

R'm	Total	2019/20	2020/21	2021/22
Grants	7 627	2 354	2 558	2 716
Financing	4 385	1 500	1 457	1 428
Internally generated funds	1 526	395	610	521
Total	13 538	4 248	4 625	4 665

The model accommodated the increased borrowing of R4.4 billion, Internally Generated Funding of R1.5 billion and Capital Grants of R7.6 billion for the MTREF period of 3 years to 2021/22 and allowed the model to calculate the future funding mix. Here the potential impact of the strong liquidity position on capex is noted. Following sustained increases in the capital expenditure after 2011 when capital expenditure doubled, this now stabilises over the MTREF-period to just over R4 billion per annum. To keep pace with anticipated population growth and ongoing investment in new infrastructure as well as upgrading and renewal projects, the capital expenditure increases from R 4.6 billion in 2021/22 to R 5.3 billion in 2028/29.

The annual capital investment as budgeted by the municipality remains stable. This is further reflected by the positive gearing and debt service ratios which remain below the National Treasury norms.

The capex budget of the City is financially feasible. Important to note however is that there is limited Cash available to cover the minimum recommended liquidity level (after the MTREF period), to cater for unspent conditional grants, short term provisions, and working capital. These findings are illustrated in the graphs below.

17.4.1.2 10-Year Capital Funding Mix

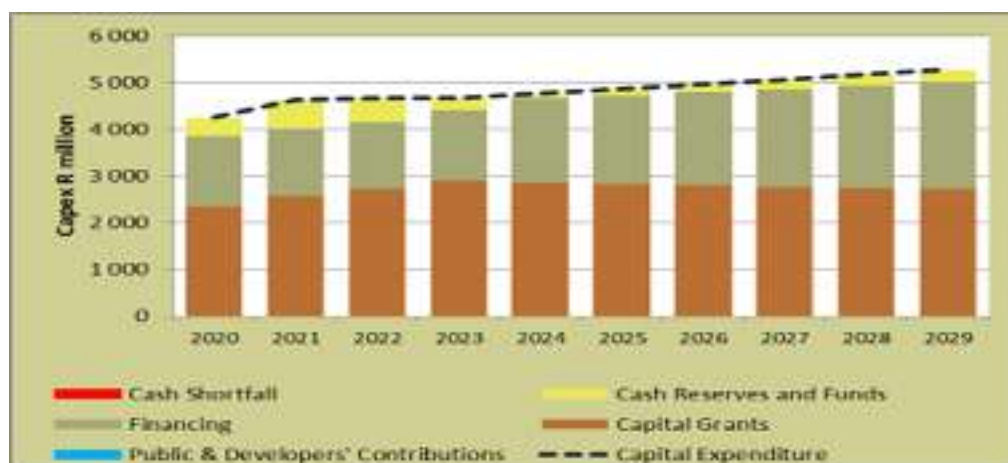
Due to the prevailing national fiscal constraint, reliance on grant funding in future is probably doubtful and the proportional amount of capital transfers in this latest estimate, when compared to previous estimates, has declined.

A balanced funding mix, incorporating a conservative level of external borrowing, will preserve own cash resources and will improve long term financial sustainability. The long-term financial model proposes the optimal funding mix below for capital expenditure over the next 10 years. This level of external borrowing will not result in a material breach of gearing or debt service ratio benchmarks.

Table 20 LTFM Capital Expenditure Envelope for the 10-Year Planning Period

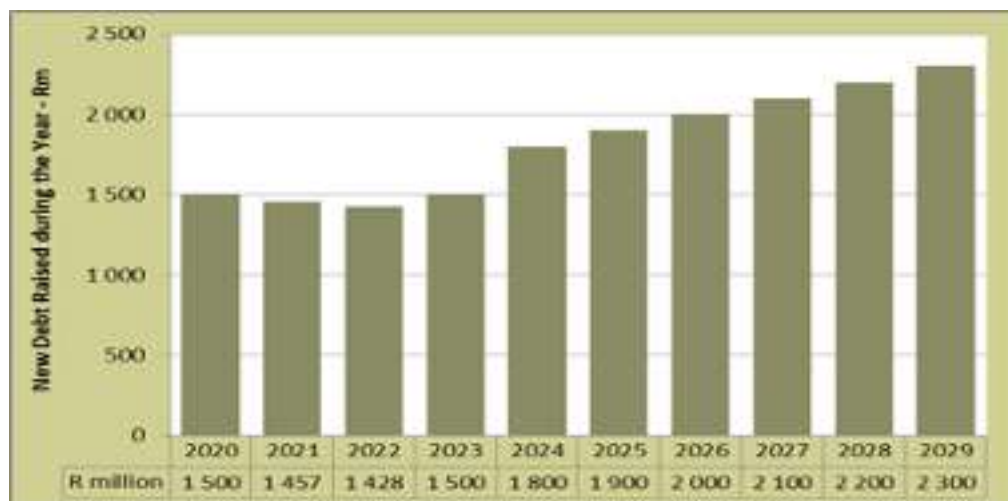
Year	MTREF	2023	2024	2025	2026	2027	2028	2029	10yrs Total
Capital Grants	7 627	2 904	2 863	2 825	2 792	2 763	2 738	2 718	27 230
Financing	4 385	1 500	1 800	1 900	2 000	2 100	2 200	2 300	18 185
Cash Reserves and Funds	1 526	261	103	142	176	205	231	252	2 896
Capital Expenditure	13 538	4 666	4 766	4 867	4 967	5 068	5 169	5 270	48 311

Figure 62 Forecast Period: Capital Funding Mix



Based on the forecast External Financing requirement, the Debt Service to Total Expense Ratio exceeds the 9% benchmark only in 2020 but remains below the benchmark for the remaining period. After a period of marginal decline over the MTREF-period, External Financing increases by about 7% per year. The amount of annual external financing is estimated to be distributed as follows:

Figure 63 Forecast Period: New Debt Raised

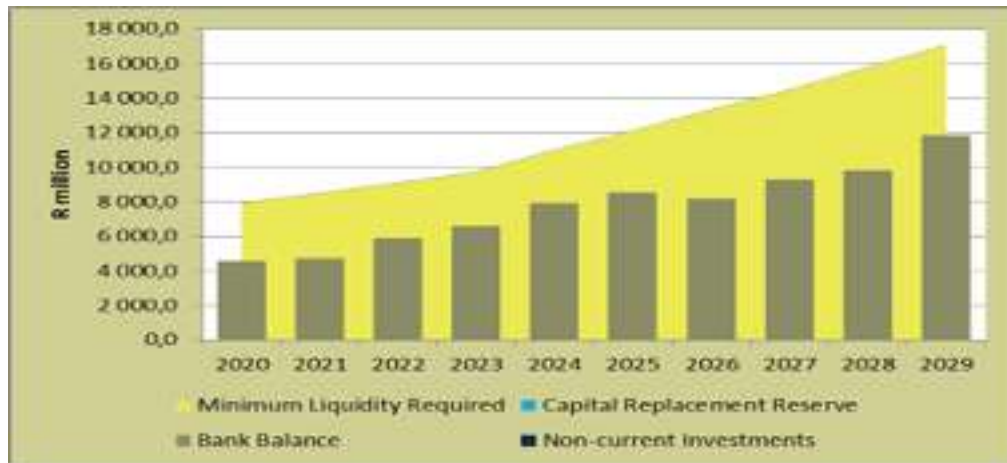


17.4.1.3 Liquidity and Capital Replacement Reserve

For purposes of the projections in this report the minimum required liquidity level caters for unspent conditional grants, reserves, short term provisions, consumer deposits and 2 months working capital. During the MTREF-period, the City breaches / fall below the minimum liquidity requirements and the

situation improves at the end of the planning period. The bank balance peaks just below R12 billion at FYE2029. In comparison, the total minimum liquidity required reflects an increasing trend through the planning period from R8 billion to R17 billion in 2029; thus, leaving a shortfall of R5 billion at the end of planning period. If the minimum liquidity required for opex is reduced to 30 days instead of 90 days, the City is able to post healthy consistent surpluses.

Figure 64 Forecast Period: Cash vs Minimum Liquidity Levels

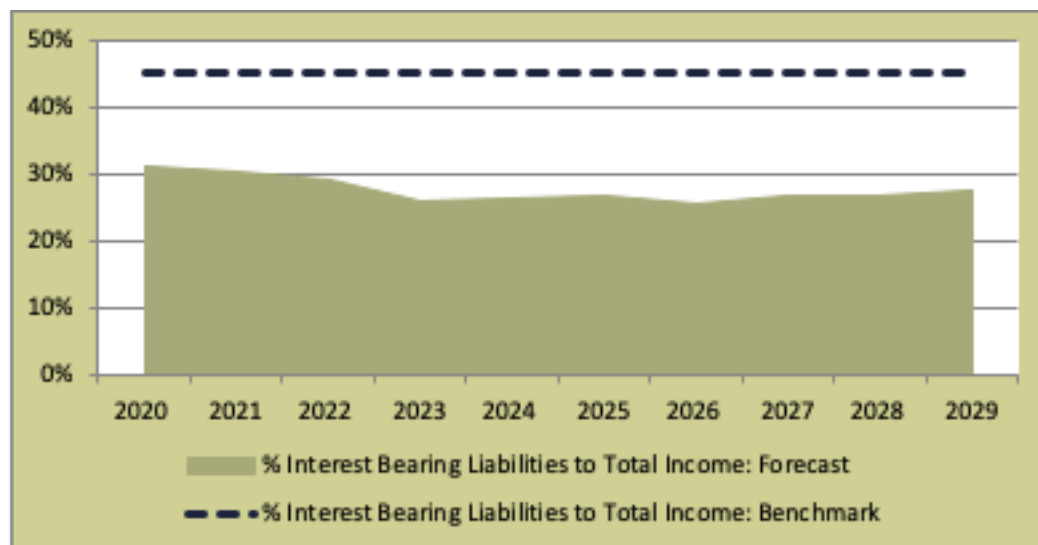


The current investments and cash and cash equivalents will not be sufficient to cover the minimum liquidity reserve between 2020 – 2029 and there is no provision for the CRR.

17.4.1.4 Gearing

The ratio of Long-Term Interest-Bearing Liabilities to Income is illustrated in the graph below. Considering the size of the City and its financial ability, a maximum gearing ratio of 45% should be affordable. The model forecast that gearing remains below 32%, from 2020 throughout the planning period. This is well within the National Treasury guidelines.

Figure 65 Forecast Period: Gearing



The affordability of the projected capex depends on the optimal performance of the City and a stable socio-economic environment. Scenarios involving an increase or decline in the

revenue collection rate has been tested to determine the resilience of the City's financial position. The results of the scenario testing are given below.

17.4.1.5 Ratio Analysis

The Base Case forecast ratios are presented below. Although the model is not programmed to measure the ratios as required by National Treasury in all instances, it does provide comfort that the municipality is sustainable in future - on condition that it operates within the assumed benchmarks set in the financial plan.

Table 21 Ratio Analysis: Summary

Ratio	Norm	2019/20	2021/22	2023/24	2025/26	2027/28	2028/29
Cash Generated by Operations / Own Revenue		16,1%	13,6%	10,7%	10,1%	8,5%	8,3%
Liquidity Ratio (Current Assets : Current Liabilities)	1:1.5 - 1:2.0	1 : 1	0,9 : 1	1 : 1	0,9 : 1	0,7 : 1	0,6 : 1
Cash Surplus / Shortfall on Minimum Liquidity Requirements		-R 3 741 m	-R 3 784 m	-R 4 524 m	-R 6 822 m	-R 10 883 m	-R 13 092 m
Capital Expenditure / Total Expenditure	10% - 20%	10,4%	9,9%	9,1%	10,2%	10,3%	10,3%
Total Debt (Borrowings) / Operating Revenue	45%	33%	31%	28%	27%	28%	29%
Debt Service Cover Ratio (Cash Generated by Operations / Debt Service)		1,4 : 1	2,4 : 1	1,9 : 1	1,1 : 1	1 : 1	1,1 : 1
Total Grants / Total Revenue		18,6%	17,3%	16,4%	15,2%	14,3%	13,9%

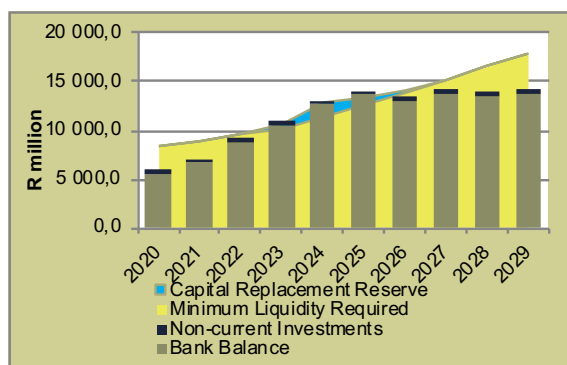
17.5 Scenario Analysis

17.5.1 Scenario Analysis: Collection Rate Increased By 3%

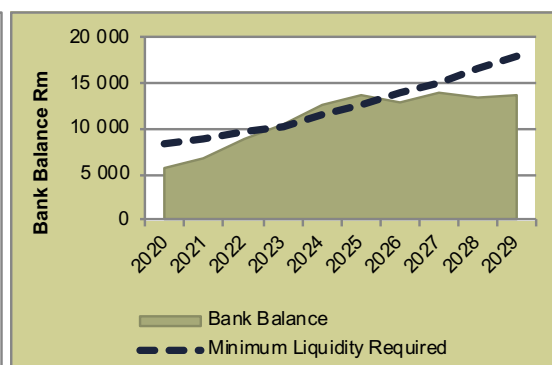
In the first scenario, the approach is the possibility that the City will implement effective strategies to increase debtor's collection from the 2019 rate of 90% to a consistent rate of 93% during the MTREF period to be followed by a gradual increase to 96% for the remaining planning period. The Model reflects that the increase in collection rate will enable the City to maintain the planned capital investment of R48 billion over 10 years and preserve cash resources without jeopardising the long-term financial sustainability of the municipality.

Figure 66 Scenario Analysis: Collection Rate Increased By 3%

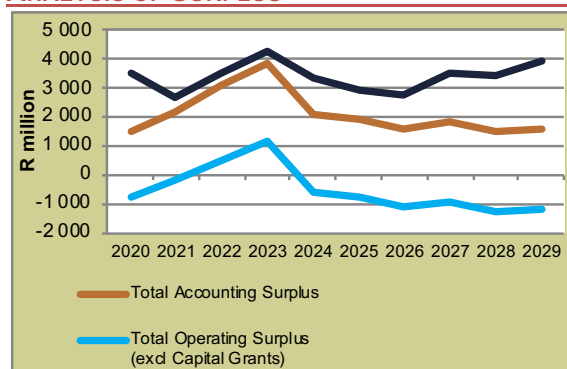
CASH VS RESERVES



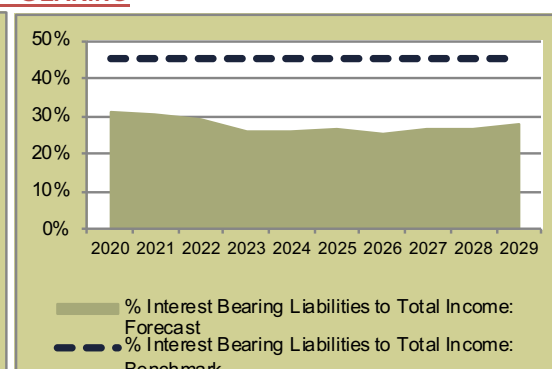
BANK BALANCE



ANALYSIS OF SURPLUS



GEARING



The increased debtor's collection reflect these possibilities:

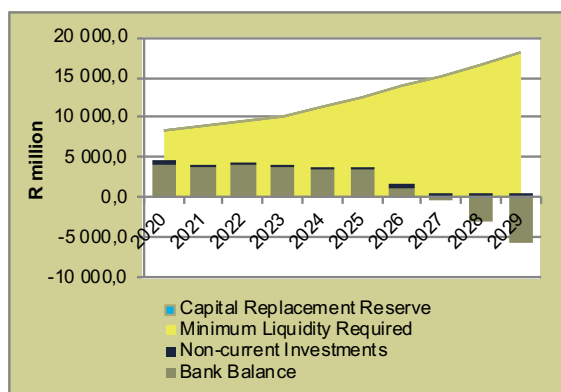
- The ability to meet the minimum liquidity requirements with cash surpluses during 3 out of 10 years of assessment while providing for the 3 months OPEX requirement.
- Healthy liquidity ratios averaging 1.2:1 for the planning period.
- The debt levels remain manageable and essentially within the maximum gearing ratio norm of National Treasury of 45%. Debt service ratio decreases to 6.5% at the end of the forecast period.
- An operating revenue growth averaging 7,6%.
- Number of months cash coverage ratio increases to 2.4 times.
- A continuation of positive cash generated from operations averaging R3 380m.

17.5.2 Scenario Analysis: Collection Rate Decreases By 2%

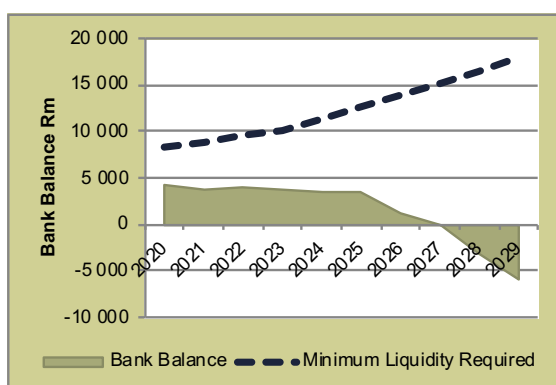
In the second scenario, the impact of a 2% decline in the City's debtor's collection rate from the 2019 rate of 90% to a consistent rate of 88% during the MTREF period. For the remaining years, the collection rate drops to 93%. The model reflects that the decrease in collection rate will have a negative impact in cash resources and the long-term financial sustainability of the municipality.

Figure 67 Scenario Analysis: Collection Rate Decreases By 2%

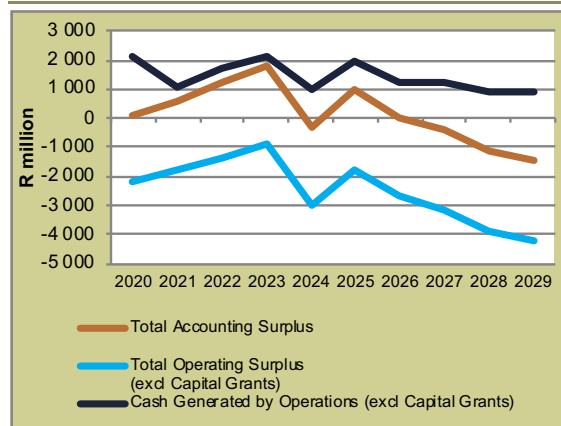
CASH VS RESERVES



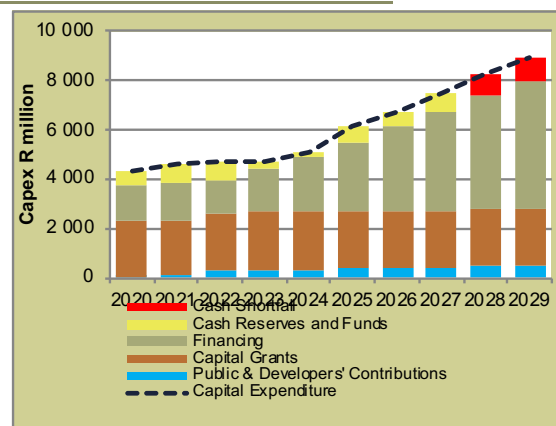
BANK BALANCE



ANALYSIS OF SURPLUS



CAPITAL FUNDING MIX



The decreased debtors' collection reflect these financial consequences:

- A negative cash and investment balance of -R5 789 million at the end of the planning period.
- Weak liquidity ratios decreasing from 0,9:1 to 0,3:1 by year 10.
- There are insufficient cash surpluses to contribute towards a funding mix for capex from 2028 onwards.
- Number of months cash coverage ratio decreases to 0.1 times.
- Cash Generated from Operations decreases annually to R876 million in 2029 from R2 097 million in 2020.

17.6 Conclusions

17.6.1 Outcome of the Financial Assessment

The City remained in a positive position during the past 9 years of assessment. This was demonstrated by an Accounting Surplus of R2.9 billion posted as at FYE2019, which increased from R1.3 billion in FYE2011.

Positive to note is that the municipality still managed to generate an operating surplus of R969 million compared to R807 million in 2011 when capital grants are excluded.

The strong financial performance by the municipality enabled the Municipality to generate R2.6 billion in cash from its operations (excl capital grants). This was R1.1 billion higher than the cash generated from operations in FYE2011.

In the past 9 years, the municipality spent R31.8 billion on capital infrastructure programs utilising Capital Grants to the value of R17.5 billion, Borrowings and internally generated funds of R7.7 billion. The annual capital expenditure gradually increased from R2.2 billion in FY2011 to the highest of R4.6 billion in FY2016 after which it declined to R3.3 billion in FY2019.

17.6.1.1 Strengths

- Strong balance sheet & improved liquidity position
- Investment-grade credit rating
- Strong cash flow from own operations and limited reliance on transfers from national and provincial treasuries
- The positive increase in Cash and Cash Equivalents.
- Capacity to post Accounting and Operational Surpluses.

17.6.1.2 Weaknesses

- The collection ratio of 93% in 2017/18 and 90% in 2018/19 remained below the minimum acceptable benchmark of 95% and threatens the City's future affordability.
- Decreasing annual capital expenditure since 2017, despite the current high service delivery backlogs.

17.6.2 Outcome of the forecast model

17.6.2.1 The socio-economic base and future revenue

- Strong economic base and diversified economy, but rapid increase in migration to the municipal area placing pressure on existing infrastructure;
- However – national conditions also impact on the municipality – with only moderate growth forecast over the forecast period;
- A key structural weakness can now be identified: as economic growth rates slow, the municipality approaches the limits of increased tariffs to extract additional revenue for ever-growing needs of poorer communities;
- To pursue and sustain progressive / redistributive / pro-poor policies – it is essential that the economic base expands and critically, job creation (especially at entry-level) accelerates.
- Over the forecast period – we still see scope for increased tariff (broadly aligned with CPI) and for more progressive tariff structures.

17.6.2.2 Capital investment

- As the population continues to increase, the municipality needs to deal with normalising historic settlement patterns to accommodate new migrants and improve access to and mobility within the municipal area;
- Capital expenditure is increasing over the planning period;
- It is also evident that it cannot rely do so by using its own cash resources;
- Whilst capital expenditure and external financing remains at current levels over the MTREF period, both capex and external loan financing increases per year after the MTREF period;
- Even at this rate of increase both Debt Servicing and Gearing levels remain within the National Treasury norms;
- Significant “high-impact projects” can be modelled to determine long-term financial impact of such projects on the financial position of the municipality.

17.6.2.3 Scenario analysis

- The scenario analysis explored the implications of a slight increase and decrease of the collection ratio on general financial metrics. A consistent 2% decrease in collection negatively impacts the liquidity position and capex affordability;
- Two aspects worth noting: Capital expenditure is similar when comparing the Base Case to the Upside scenario, and secondly the Cash Position varies significantly over the scenarios.

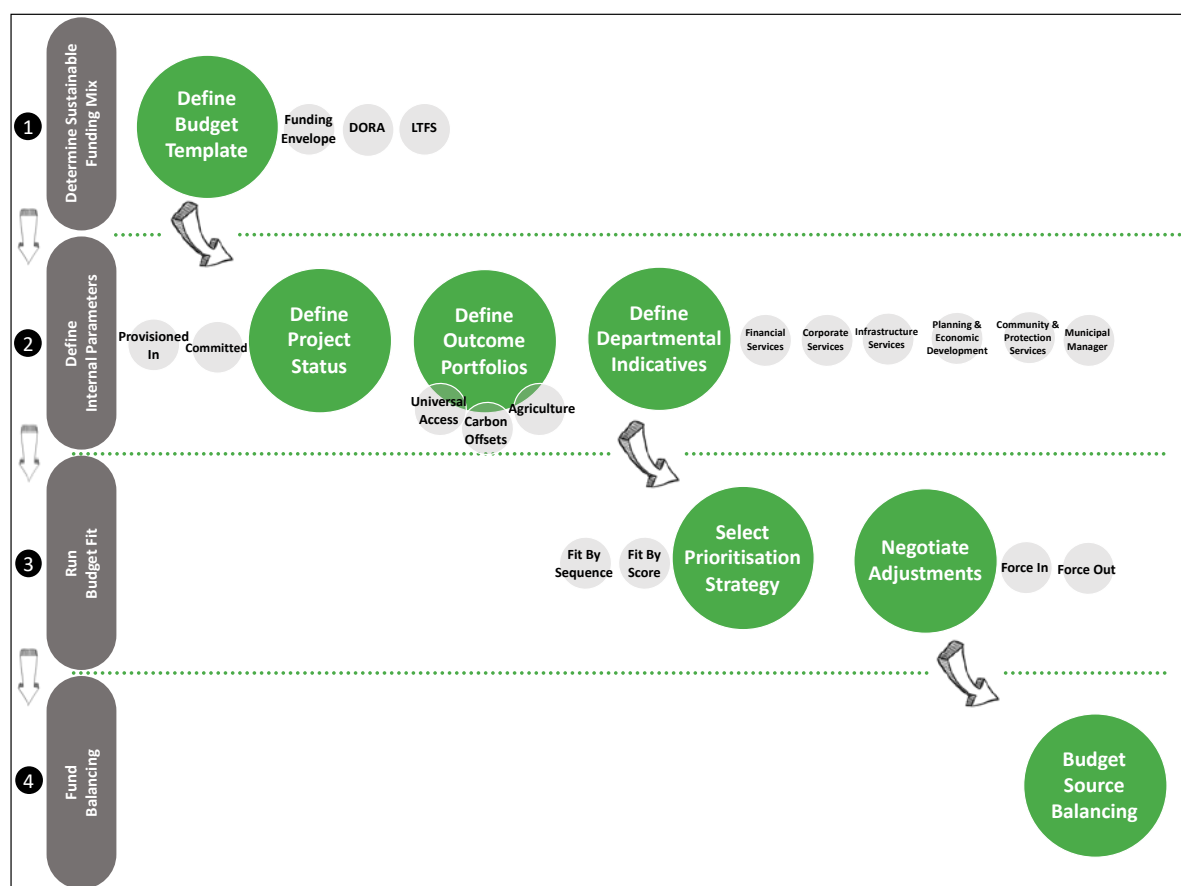
18 Budget Scenario

The budgeting scenario development process in the City of Tshwane, as facilitated by the CaPS system, is also known as the “Budget Fit” process. This name was derived from the process of “fitting” the project needs, in order of priority (ranking) into a finite budget, defined as the affordability envelope, modelled using a long-term financial modelling instrument (LTFM). The budget scenario development process is at its essence a mathematical rule-based process and the City is in a position to specify and configure various rules and limits in the process. These rules and limits could include, but are not limited to, annual affordability limits, departmental indicative budget limits, funding source eligibility rules, ring-fenced budget outcome segments, capital project priority or ranking etc.

The purpose of this section is to discuss the methodology, rule sets and criteria used during the budget scenario development process as well as to demonstrate how different choices regarding the budget scenario development strategies will result in different budget scenarios.

The budget scenario development methodology is shown schematically in Figure 68. This methodology is a sequential application of a set of rules and parameters that results in a project either being added to the draft capital budget or rejected from the draft capital budget.

Figure 68 Budget scenario development methodology



18.1 Budget Scenario Parameters

The following parameters all take part within the budgeting process.

18.1.1 Affordability envelope and budget fit strategy

The affordability envelope is the sustainable and financially modelled annual total capital budget limit which the City should adhere to in order to maintain and improve its financial operational position. It is included as the total amounts which need to be fitted to during the budget fit process.

National Treasury advocates long-term planning and financial sustainability modelling as part of the BEVC. As a result, the City has utilised a long-term financial planning instrument (LTFM) to model the 10-year affordable capital funding envelope. The annual capital budget affordability values from the LTFM were used to determine the capital budget indicatives for the outer years of the Medium-term Revenue and Expenditure Framework (MTREF) (i.e. year 4 to year 10), whereas the indicatives as determined by the City's Finance department through the published Division of Revenue Act (DORA) allocations together with the existing long-term financial commitments from capital projects on the MTREF budget were used for the MTREF Period. The differences between these indicative amounts from the Finance Department and the amounts from the LTFM affordability envelope amounts are not significant as the input published 2019/20 MTREF capital budget is an input to the LTFM modelling process. Thus, the City's Finance Department opted to use a combination of both to build the 2020/21 budget scenario (Refer to Chapter 18.3.2 for an analysis in this regard).

It should be noted that the draft version of the 2019/20 adjustment budget (7 February 2020) was used to establish the multi-year financial commitments for the budget fit scenario process. All of the

analysis relating to the budget has been based on this version and will be updated once the 2020/21 MTREF budget has been finalised.

Different strategies may be followed in the application of the affordability envelope during the budget fit process. The affordability envelope sets the upper limits of the annual budget targets over the period of the budget fitting process. Based on the City's strategic intent, the affordability envelope may be further broken down in components, for example Portfolios limits, Stage Gate limits, or Department limits, or a combination of aforementioned. The sequence in which these budget fit rules are organised, determines the outcome of the budget fit process. During the fit process, once the total budget limit per year has been depleted by fitting projects, projects which do not fit in that particular budget year based on financial year budget constraints will roll over to the next financial year cycle and attempt to fit the project in subsequent financial years.

18.1.2 Project score

Project scores were determined according to the methodology and with the results as outlined in Section C of this report. The purpose of a project score is to determine a relative ranking between all the projects within the list of capital demand projects. Projects are allocated their requested budgets in order of scored priority, within the constraints of the budget scenario rules such as available budget constraints and/or qualifying rules to access certain types of funding sources.

18.1.3 Project status

For the purposes of the budget fit process, specific project statuses are required to take into account the multi-year financial impact of projects published on previous financial year budgets. A project's status is based on an assessment of its actual physical and financial progress at the time of performing the budget fit. The statuses available for allocation are:

- **Committed** – Committed status may be allocated to projects which formed part of either the approved MTREF capital budget (Annexure A to the IDP) or the adjusted MTREF capital budget (Annexure B to the IDP) of the City for the previous financial year, and which are contractually committed as assets under construction or having concluded the procurement processes. Termination of any committed projects will result in either legal or financial liability for the City. Given commitments made on these projects by the City, the budget fit methodology regards these projects as non-negotiable, irrespective of their capital prioritisation model project score or the financial year budget constraints. This means that projects which carry Committed status will be fitted to the affordability envelope in the financial year in which they request funds (no delays may be applied). Should the total of Committed projects exceed the affordability envelope for a given year, the budget fit will allow these projects to “overfit” the available amount for that particular year.
- **Provisioned-In** – Provisioned-In status may be allocated to projects which formed part of either the approved MTREF capital budget (Annexure A to the IDP) or the adjusted MTREF capital budget (Annexure B to the IDP) of the City for the previous financial year, but which are not contractually committed as assets under construction or those projects which have not concluded their procurement processes. Termination of any provisioned projects will not result in either legal or financial liability for the City. The budget fit methodology regards these projects as having a higher priority than projects without any status in the list. This is due to the fact that they formed part of the previous MTREF submitted capital project programme, although their implementation timeframes may still be negotiable. Projects with this status will be fitted to the affordability envelope in

the financial year in which they request funds only to the extent that it does not exceed the available affordability envelope in a given year. If the requests exceed the affordability envelope at any sub strategy within the combined strategy, provisioned projects may be fitted with delay to a financial year with sufficient available affordability envelope. These projects will not be allowed to “overfit” the available amount for any particular year.

18.1.4 Year of budget request

Specific budget requests per project may be made in a specific year or over a number of years, depending on the planned implementation lifecycle of a project. During the budget fit process, requests may be fitted with delay i.e. in financial years later than the years in which the funds were requested. This allocation is based on the available affordability envelope per year, project statuses and project scores.

18.1.5 Project budget request

The project budget request is considered across the total lifecycle of the project. The City of Tshwane previously only budgeted across the MTREF. During the 2020/21 budgeting cycle consideration was given to expanding it to longer-term planning (10 years) and provided the opportunity to consider a budget scenario beyond the MTREF Period. This decision was taken based on the capital demand and capital project planning from departments extending beyond the MTREF, and to align the capital budget process output with the requirements of SPLUMA in terms of the preparation of a 10-year Capital Expenditure Framework (CEF).

18.2 Budget Scenario Fit Process

The following process explains how the abovementioned parameters interact in order to compile a budget (refer to Figure 68).

18.2.1 Step 1: Define a budget template

During the first step of the budget fit process, a budget template is compiled on CaPS which includes the affordability envelope and strategy selection, as explained in Chapter 18.1.1. This is a mandatory step required to define the total amount of available capital funding for the MTREF. It may be informed by a number of sources:

18.2.1.1 Division of Revenue Act (DORA)

The Division of Revenue Act is published on an annual basis with the purpose of documenting the equitable share and grant allocations to all levels of government. The exact publication dates of the DORA may differ from year to year. The DORA publication sets out available grant funding to the City. Typical funding sources available to local government emanating from the DORA publication include:

- Public Transport Infrastructure Systems Grant (PTIS);
- Neighbourhood Development Partnership Grant (NDPG);
- Urban Settlements Development Grant (USDG);
- Integrated National Electrification Programme (INEP);
- Community Library Services (CLS);

- Social Infrastructure Grant (SIG);
- LG SETA Discretionary Allocation;
- Integrated City Development Grant (ICDG); and
- Housing Delft Grant.

18.2.1.2 Long-term financial strategy

Capital budget funding typically comprises the following funding sources:

- Own Funding: Funding generated from the City's revenue (i.e. rates and taxes).
- Public Contributions and Donations: Donations and bulk services contributions for capital expenditure to provide additional bulk capacity to service new developmental demand.
- Capital Replacement Reserves (CRR): Savings by the City for deferred capital expenditure to maintain the existing municipal asset base.
- Borrowings: External loans from the financial markets or bonds issued by the municipality to the financial markets.

The City of Tshwane Finance Department currently determines the affordable funding envelope and optimal funding mix, using a long-term financial modelling instrument (LTFM) and includes the indicative affordability envelope in the Budget Fit template.

A long-term financial strategy was determined based on the outputs from the LTFM. The LTFM is firstly used to determine the City's current financial position in terms of a number of legislated parameters such as liquidity, debt gearing, percentage own funding, the status of the capital replacement reserve and others. An appraisal is done on the historical financial performance of the City to date.

The LTFM is then used to create the most optimal roadmap over the next 10 years for the City. This roadmap takes into account the capital demand emanating from the CaPS process, sources of funding, the extrapolated future financial positions and estimated cash flows. The process informs the levels of funding that could reasonably be sustained under current assumptions. This process in turn, feeds back into the budgeting (budget fit) process that is performed bi-annually using the CaPS system.

With the two processes (LTFM) and CAPS constantly informing each other in an iterative manner, the City has the assurance of having embarked on a sustainable financial path pertaining to resourcing their capital investment plan.

18.2.2 Step 2: Define project Committed or Provisional Status

CaPS allows for two different project statuses during budget fit process in order to account for the multi-year budget effect of projects which were previously published as part of either the approved or adjusted municipal capital budget. Refer to Chapter 18.1.3. After assessing the capital projects list, project statuses are included accordingly and in preparation for the budget fit process.

18.2.3 Step 3: Define outcome portfolios

This is an optional step and is performed when the City has decided on a budget fit strategy which includes the use of portfolios – refer to Chapter 18.1 for an explanation. Allocation of portions of the affordability envelope to portfolios will ring-fence the allocated amounts to the specified portfolios.

Only projects which are included in these specified portfolios may compete for the allocated budget amounts. A typical example of a portfolio could be the projects in support of the “climate change and resilience programme” or projects in support of “economic development”.

18.2.4 Step 4: Define departmental indicatives

This is an optional step and is performed when the City has decided on a budget fit strategy which includes the use of departmental budget splits – refer to Chapter 18.1 for an explanation. Allocation of portions of the affordability envelope to departments will ring-fence the allocated amounts to the specified departments. When the budget fit is executed, projects which belong to the departments will be fitted to the ring-fenced departmental budget limit in order of highest prioritisation score or ranking to lowest prioritisation score or ranking, until the budget limit for that department has been reached.

18.2.5 Step 5: Define stages

This is an optional step and is performed when the City has decided on a budget fit strategy which includes the use of stage gate budget splits – refer to Chapter 18.1 for an explanation. Allocation of portions of the affordability envelope to stage gates will ring-fence the allocated amounts to the specified stages. When the budget fit is executed, projects which belong to the stage gates will be fitted to the ring-fenced departmental budget limit in order of highest prioritisation score or ranking to lowest prioritisation score or ranking, until the budget limit for that stage gate has been reached.

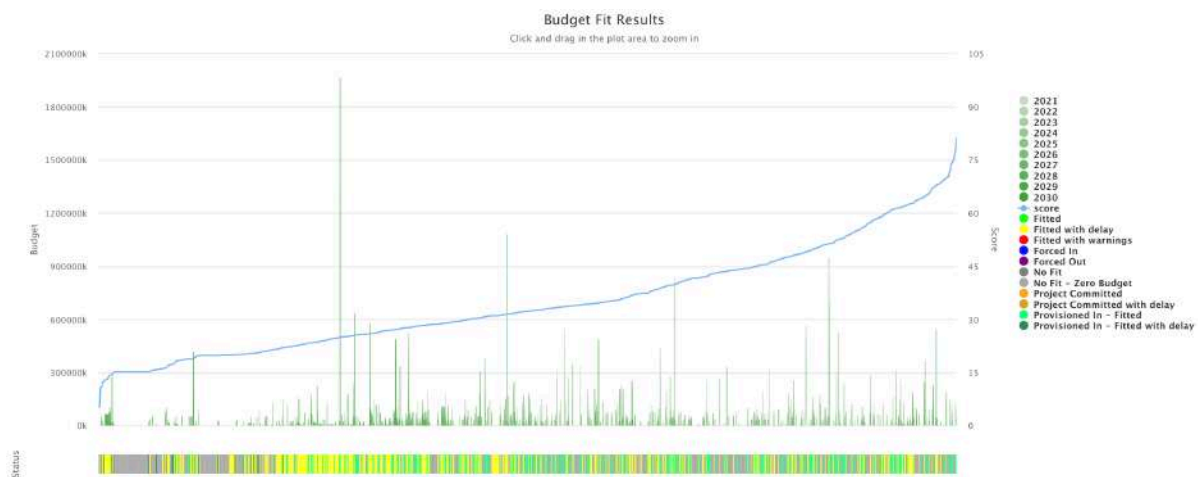
18.2.6 Step 6: Select Prioritisation Model Run / Results

The selection of a Capital Prioritisation Model (CPM) and its associated results is a mandatory step in any budget fit process, given that budget scenario development implies making trade-offs between project priority and financial sustainability and affordability. When the budget fit is executed, projects will be considered in order of highest priority score to lowest priority score until the affordability envelope amounts have been reached, depending on the strategy which had been specified in the budget fit template.

A visualisation of the budget fit result is shown in Figure 69⁶. The graph shows the ranking of projects from highest priority (on the right) to lowest priority (on the left). Each project is shown as a stacked bar in bar graph format, where the sum of the MTREF financial year capital requests for the projects (total MTREF capital budget) is shown as the height of the bar.

⁶ The budget fit results graph is an interactive graph that can be accessed via the CaPS system used by the City. For representation purposes the graph has been filtered to only indicate projects within the Utility Services Unit.

Figure 69 Budget fit results



The budget fit status of each project, after executing of the budget fit routine, is shown below the bar graph in colours. Each colour represents a different status. In the example provided, the orange projects represent committed projects, which means they were fitted irrespective of their CPM project score in the financial year in which they requested budget.

Green projects represent projects which were fitted based on their CPM project score in the year which they requested funding, given that there was available capital budget available in that financial year. The yellow projects represent projects that were fitted with delay. These projects received high scores on the CPM but there was not sufficient budget available in the financial year in which they requested capital funding, therefore the budget fit routine fitted them to a financial year later than they requested budget, where sufficient available capital budget was available in the budget template.

Eligible statuses include:

- **Committed:** Committed projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, and which are contractually committed as assets under construction. Termination of any committed projects will result in either legal or financial liability for the municipality.
- **Provisioned In:** Provisioned projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, but which are not contractually committed as assets under construction. Termination of any provisioned projects will not result in either legal or financial liability for the municipality.
- **Provisioned in with delay:** Provisioned projects are those projects which formed part of either the approved capital budget (Annexure A) or the adjusted capital budget (Annexure B) of the municipality for the previous financial year, but which are not contractually committed as assets under construction. Termination of any provisioned projects will not result in either legal or financial liability for the municipality and are therefore delayed in the budget fit process. A project will then be delayed to a financial year where the budget cap total has not been exceeded.
- **Fitted:** Projects that enjoy the status “fit” are projects that scores highest in relation to the remaining projects to be fit, with the provision that the budget cap total has not been exceeded.

- **Fitted with Delay:** Projects that enjoy the status “fit with delay” are projects that scores highest in relation to the remaining projects to be fit, with the exception that the budget cap total for the year in which the project requests budget has been exceeded. A project will then be delayed to a financial year where the budget cap total has not been exceeded.
- **No Fit:** This status is assigned to projects that were not able to qualify for budget.
- **No Fit – Zero Budget:** This status is assigned to projects that do not request budget.

18.2.7 Step 7: Negotiated adjustments (Force-in / Force-out)

Once a draft capital budget has been developed using the budget fit process, the portfolio of projects which make up the draft capital budget needs to undergo a number of approvals. A draft portfolio of capital projects prepared following a complex, multi-disciplinary and inclusive process is unlikely to meet all the political expectations – the process was designed to be close to matching most expectations but some outliers or exceptions to the rule are to be expected. Therefore, a negotiated adjustment process is accommodated in the budget fit process whereby projects can be added or removed from the portfolio of capital projects based on motivations and representations made during budget discussion forums.

18.2.8 Step 8: Budget source balancing

The last step in the budget fit process is to ensure that all available funding sources documented in the budget fit template have been utilised optimally and that none of the funding sources are over-subscribed (i.e. more is asked than what is available for that fund). The funding source balancing is also the last check to ensure that all projects which are linked to grant funding are eligible according to the funding definitions and rules as set out in the Division of Revenue Act (DORA).

18.3 Budget Scenario Results

18.3.1 Budget demand

The annual budget process of the City starts with a process of collaboratively collecting the capital investment demand or need across all departments in the City, in response to the various city strategies, policy documents and plans. Table 22 shows the capital investment demand for the City over the 10-year period, starting in 2020/21. The table is disaggregated by organisational department for the City.

Table 22 Capital Expenditure wish-list per Department (R'000)⁷

Departments	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026
Agriculture & Rural Development	R23	R34	R26	R15	R7	R0
Airport Services	R72	R35	R0	R0	R0	R0
Communications and Marketing	R0	R0	R0	R0	R0	R0
Customer Relations Management	R52	R14	R6	R2	R0	R0

⁷ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Departments	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026
Economic Development and Spatial Planning	R92	R81	R199	R164	R97	R3
Electricity	R1 146	R1 472	R1 570	R1 010	R827	R56
Emergency Services	R33	R98	R163	R385	R528	R363
Environmental Management & Parks	R79	R91	R55	R62	R52	R0
Group Audit and Risk	R25	R25	R25	R25	R25	R0
Group Financial Services	R52	R11	R12	R10	R10	R10
Group Legal & Secretariat Services	R0	R0	R0	R0	R0	R0
Group Property Management	R124	R10	R10	R10	R10	R0
Health Services	R162	R515	R540	R329	R366	R0
Housing and Human Settlement	R2 885	R1 151	R782	R15	R0	R0
Housing Company Tshwane	R712	R721	R295	R1	R0	R0
ICT, Applications & Infrastructure	R206	R345	R276	R142	R182	R0
Integrated Rapid Public Transport Network (IRPTN)	R689	R644	R615	R234	R170	R0
Licensing	R5	R12	R0	R2	R3	R0
Metro Police Services	R524	R706	R841	R563	R675	R100
Office of the Chief Whip	R0	R0	R0	R0	R0	R0
Office of the City Manager	R23	R10	R0	R0	R0	R0
Office of the Executive Mayor	R3	R3	R3	R0	R0	R0
Office of the Speaker	R0	R0	R0	R0	R0	R0
Regional Operations & Coordination (ROC)	R64	R49	R21	R9	R9	R3
Roads and Stormwater	R1 636	R2 151	R2 362	R1 866	R2 805	R350
ROC - Community & Social Development Services	R0	R0	R0	R0	R0	R0
ROC - Environment & Agricultural Management	R16	R3	R0	R0	R0	R0
ROC - Health Services	R0	R0	R0	R0	R0	R0
ROC - Housing & Human Settlements	R0	R0	R0	R0	R0	R0
ROC - Roads & Transport	R0	R0	R0	R0	R0	R0
ROC - Utility Services	R11	R0	R0	R0	R0	R0
Shared Services	R100	R0	R180	R180	R180	R0
Social Development	R0	R0	R0	R0	R40	R40
Sports, Recreation & Infrastructure Development	R172	R202	R297	R370	R278	R75
Tshwane Bus Services	R22	R29	R21	R20	R20	R0
Tshwane Economic Development Agency	R53	R358	R1	R0	R0	R0
Tshwane Leadership and Management Academy	R9	R6	R4	R0	R0	R0

Departments	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026
Waste Management Services	R51	R105	R155	R280	R350	R0
Water and Sanitation	R811	R1 208	R2 338	R3 405	R3 081	R710
Grand Total	R9 851	R10 090	R10 797	R9 099	R9 714	R1 709

Departments	2026 / 2027	2027 / 2028	2028 / 2029	2029 / 2030	MTREF Total	Total
Agriculture & Rural Development	R0	R0	R0	R0	R83	R104
Airport Services	R0	R0	R0	R0	R107	R107
Communications and Marketing	R0	R0	R0	R0	R1	R1
Customer Relations Management	R0	R0	R0	R0	R71	R72
Economic Development and Spatial Planning	R7	R0	R0	R11	R372	R653
Electricity	R51	R46	R41	R0	R4 187	R6 218
Emergency Services	R516	R53	R10	R51	R294	R2 200
Environmental Management & Parks	R0	R0	R0	R0	R224	R338
Group Audit and Risk	R0	R0	R0	R0	R75	R126
Group Financial Services	R0	R0	R0	R0	R74	R104
Group Legal & Secretariat Services	R0	R0	R0	R0	R1	R1
Group Property Management	R0	R0	R0	R0	R144	R165
Health Services	R0	R0	R0	R0	R1 217	R1 911
Housing and Human Settlement	R0	R0	R0	R0	R4 818	R4 833
Housing Company Tshwane	R0	R0	R0	R0	R1 728	R1 728
ICT, Applications & Infrastructure	R0	R0	R0	R0	R827	R1 151
Integrated Rapid Public Transport Network (IRPTN)	R0	R0	R0	R0	R1 948	R2 352
Licensing	R0	R0	R0	R0	R18	R23
Metro Police Services	R92	R105	R98	R109	R2 071	R3 813
Office of the Chief Whip	R0	R0	R0	R0	R0	R0
Office of the City Manager	R0	R0	R0	R0	R33	R33
Office of the Executive Mayor	R0	R0	R0	R0	R9	R9
Office of the Speaker	R0	R0	R0	R0	R0	R0
Regional Operations & Coordination (ROC)	R0	R0	R0	R0	R135	R154
Roads and Stormwater	R25	R30	R25	R25	R6 149	R11 275
ROC - Community & Social Development Services	R0	R0	R0	R0	R0	R0
ROC - Environment & Agricultural Management	R0	R0	R0	R0	R19	R19
ROC - Health Services	R0	R0	R0	R0	R0	R0
ROC - Housing & Human Settlements	R0	R0	R0	R0	R0	R0

Departments	2026 / 2027	2027 / 2028	2028 / 2029	2029 / 2030	MTREF Total	Total
ROC - Roads & Transport	R0	R0	R0	R0	R0	R0
ROC - Utility Services	R0	R0	R0	R0	R11	R11
Shared Services	R0	R0	R0	R0	R280	R640
Social Development	R0	R0	R0	R0	R0	R80
Sports, Recreation & Infrastructure Development	R0	R0	R0	R0	R671	R1 394
Tshwane Bus Services	R0	R0	R0	R0	R73	R113
Tshwane Economic Development Agency	R0	R0	R0	R0	R411	R411
Tshwane Leadership and Management Academy	R0	R0	R0	R0	R19	R19
Waste Management Services	R0	R0	R0	R0	R312	R942
Water and Sanitation	R950	R250	R80	R67	R4 357	R12 901
Grand Total	R1 641	R484	R254	R263	R30 738	R53 901

From the table above, the following is of importance to note:

- The City's capital investment demand extends across the 10-year planning horizon.
- The total annual capital investment demand for the City decreases over the 10-year planning horizon. Capital investment demand is relatively stable at R10bn per annum for the first five years, where after it drops off sharply from 2025/26 to an average capital investment demand figure of around R1bn or less. This demonstrates that the City is moving towards a truly long-term planning and budgeting approach, but that outer year planning and budgeting still needs to mature throughout the organisation.
- The total MTREF capital investment demand is approximately R30.7bn whereas the total 10-year capital investment demand is approximately R53.9bn.

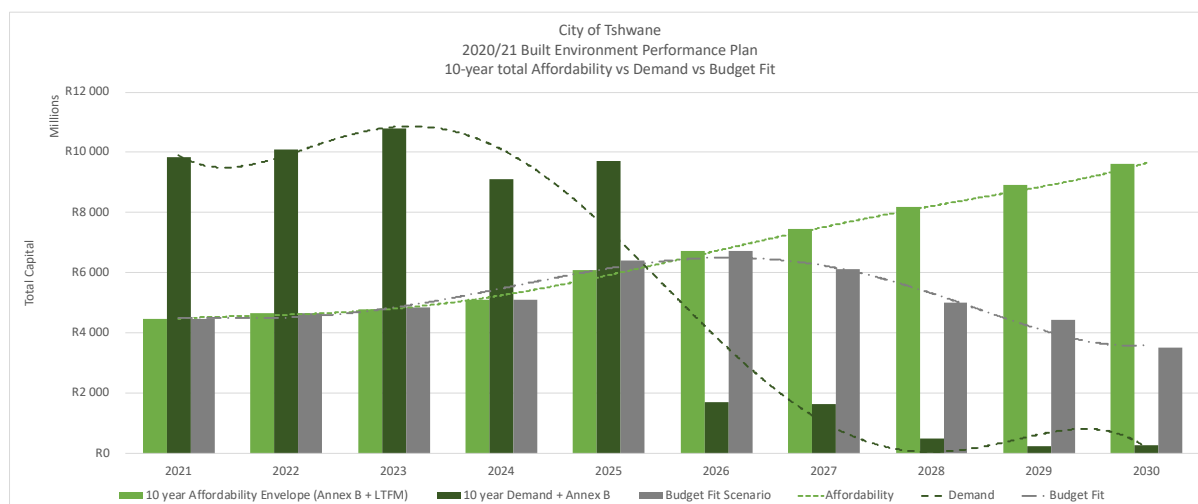
18.3.2 Funding Envelope

The affordability envelope, or otherwise stated, the funding envelope is the result of the Long-Term Financial Strategy (LTFS) prepared for the municipality. The aim of the Long-Term Financial Model (LTFM) is to define a set of parameters to which the municipality can roll out capital expenditure projects. The key parameter of interest for the budget fit process to continue is the total capital expenditure that is deemed as affordable per year.

The purpose of this section is therefore to take the results of the LTFM and to indicate what should be actively used to guide capital investment through the budget fit template – better defined as the total available capital expenditure per year or annual capex budget cap.

The total affordable capital expenditure for the 10-year planning period of the City amounts to R 66 billion, with a demand of R53,9 billion and a budget fit over the 10-year period at R51 billion, fitting to 78% of the total affordability over the 10-year planning horizon.

Figure 70 10-year Capital Budget based on Affordability vs Demand vs Budget Fit⁸



Based on Figure 70, the following should be noted:

- The demand of the MTREF and the following 2 years saturates the affordability of the City with more than a double of the affordability envelope
- Due to the high demand in the first 5 years of the 10-year capital demand the amount of capital requests must be fitted into the following years
- The high demand causes a fit of capital budget into the outer years (2024 – 2026) saturating the high demand of the MTREF
- The trendline based on demand, suggests a large amount of backlog with a lack of future planning with the flattening of the demand in the outer years.

18.3.3 Budget fit statuses

Table 23 shows the capital budget's demand after the budget fit process has been applied. It shows that for the entire MTREF period, no budget was fitted or fitted with delay based on project scores. This indicates that the multi-year financial commitments of the 2019/20 adjustment budget (Annexure B) virtually depletes the entire funding envelope available for the MTREF period. Projects only start fitting to the budget envelope based on their priority score from 2023/24 onwards.

⁸ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Table 23 10-year Budget Scenario Fit status (R'000)⁹

Year	Fitted	% Fitted	Fitted with delay	% Fitted with delay	No Fit	% No Fit	Provisioned In - Fitted	% Provisioned In - Fitted	Provisioned In - Fitted with delay	% Provisioned In - Fitted with delay	Grand Total
2020 / 2021	R0	0%	R0	0%	R4	0%	R4 463	100%	R0	0%	R4 467
2021 / 2022	R0	0%	R0	0%	R44	1%	R4 565	97%	R106	2%	R4 715
2022 / 2023	R0	0%	R0	0%	R0	0%	R4 774	99%	R72	1%	R4 845
MTREF Total	R0	0%	R0	0%	R48	0%	R13 802	98%	R178	1%	R14 028
2023 / 2024	R90	2%	R1 886	37%	R0	0%	R2 894	57%	R231	5%	R5 100
2024 / 2025	R170	3%	R2 521	39%	R0	0%	R3 547	55%	R164	3%	R6 402
2025 / 2026	R75	1%	R6 085	90%	R0	0%	R417	6%	R155	2%	R6 733
2026 / 2027	R0	0%	R5 903	97%	R0	0%	R147	2%	R57	1%	R6 107
2027 / 2028	R2	0%	R4 777	95%	R0	0%	R168	3%	R56	1%	R5 002
2028 / 2029	R10	0%	R4 271	96%	R0	0%	R152	3%	R6	0%	R4 440
2029 / 2030	R51	1%	R3 351	95%	R0	0%	R113	3%	R6	0%	R3 521
Total	R398	1%	R28 794	56%	R48	0%	R21 240	41%	R852	2%	R51 333

From the table above, the following is of importance to note:

- More or less 56% of capital demand (wish-list) had not been fitted over the MTREF period.
- The budget scenario development process fits projects successfully to the affordability envelope up to 2025/26, where after the capital project demand declines far below the modelled affordability envelope.
- From the budget scenario result it is evident that there is spare capital funding capacity for the City from 2026/27 onwards to the extent of R1,3bn (2026/27), R3,1bn (2027/28), R4,4bn (2028/29) and R6,1bn (2029/2030).

⁹ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 71 10-year Budget fit profile

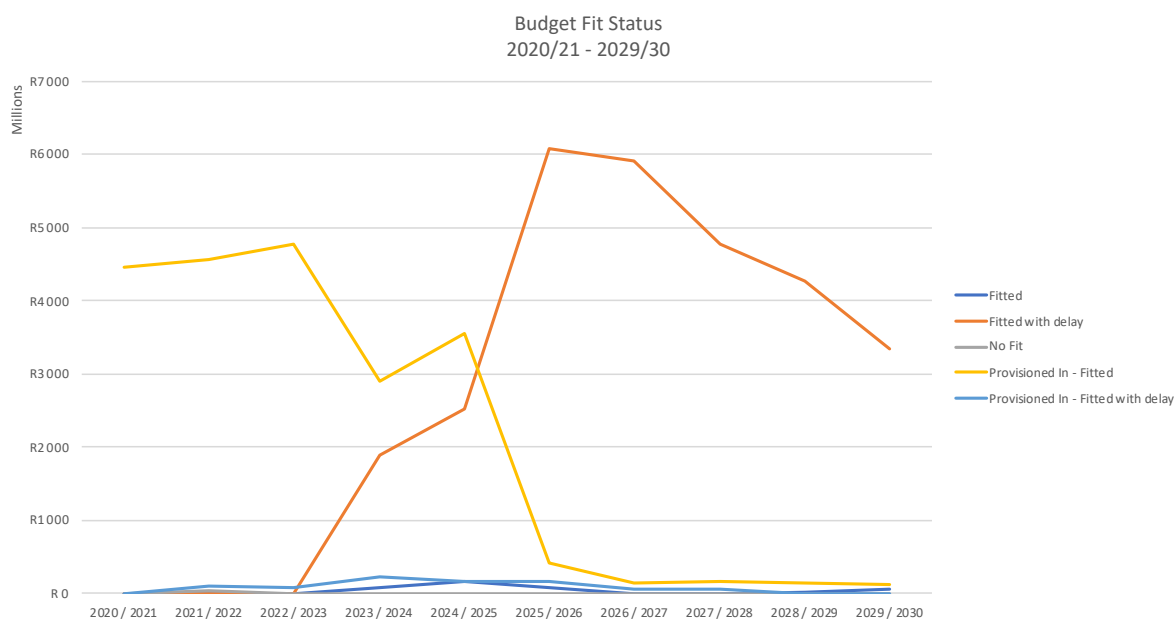


Figure 71 represents the budget fit profile over the 10-year planning horizon as per the budget fit strategy applied. It should be noted that some of the budget fit statuses listed below did not feature within the City's budget fit strategy due to limited funding envelope availability and the structure of the MTREF capital budget. However, each of the available budget fit statuses can be interpreted as follow:

- **Committed:** In the first year, projects that are currently under construction still has contractual commitments and cannot be fit at any other stage without having a negative impact on the City. These projects therefore are allocated budget in the first year, and not over the MTREF period. Only projects marked as committed and provisioned-in were fitted for the MTREF period.
- **Provisioned in:** These projects receive the most budget in the first years because they had already been declared as part of the MTREF. As time continues, these commitments decrease, and so does the capital requirement of these projects. In the case of Tshwane, only projects marked as committed and provisioned-in were fitted for the MTREF period.
- **Fitted:** During the MTREF period, no new capital demand is fitted. This is because of the finalisation of projects with a committed or provisioned-in status. Once these commitments had been served, the funding envelope opens up capacity to fit new projects. In the case of Tshwane, this only occurs after the third and outer year of the MTREF.
- **Fitted with delay:** During the MTREF period, no new capital demand is fitted with delay. This occurs because there is no capacity within the MTREF period, and a fitted with delay status can only be assigned to projects that are delayed. Fitted with delay budget availability gradually increases as the funding envelope opens up. In the case of Tshwane, this only occurs after the third and outer year of the MTREF.
- **No Fit:** Projects that do not fit are projects with the lowest score. It should be noted that a majority of projects were not fitted due to the limited funding envelope and the assigned committed/provisioned-in statuses. In the case of Tshwane, only projects marked as

committed and provisioned-in were fitted for purposes of the MTREF period, which left very little room for budget fit in the outer year.

- **No Fit – Zero Budget:** Even though these projects do not currently have any capital demand, they have been conceptualised for capital demand in the near future. It is therefore important to have sight of these projects on one single platform, together with the rest of the project pipeline.

Table 24 Budget Fit Statuses within the Budget Fit Scenario¹⁰

Budget Fit Statuses	Number of Projects	% of Total Projects
Fitted	17	2%
Fitted with delay	526	69%
Provisioned In - Fitted	249	26%
Provisioned In - Fitted with delay	22	3%
Total number of projects within the budget fit Scenario	814	100%

The Budget fit Scenario indicates that 70% of all projects are fitted with delay, i.e. not receiving budget within the requested financial year. Capital projects that are fitted with delay, highlighting the fact that planned capital expenditure requires future planning due to the demand being far more than the affordability envelope of the City.

18.3.4 Budget fit results

The following section shows a summary for the 2020/21 MTREF based on the 10-year capital budget scenario results.

18.3.4.1 Units

The 10-year 2020/21 capital budget analysis by Tshwane Units, is shown in Figure 72 and Table 25 respectively.

¹⁰ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 72 10-year 2020/21 Capital Budget per Unit (R'000)

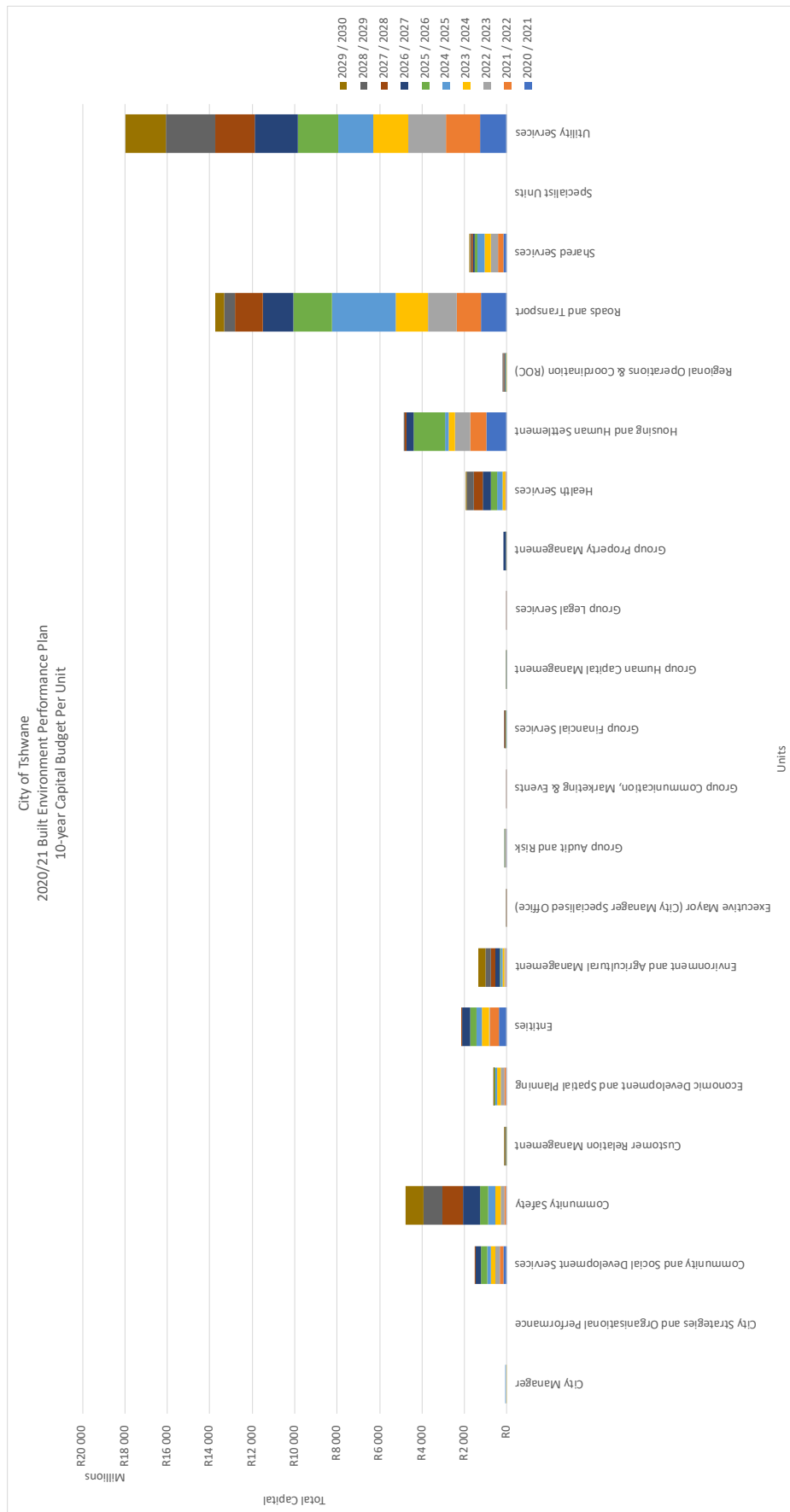


Table 25 10-year 2020/21 Capital Budget per Unit (R'000)¹¹

Units	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
City Manager	R0	R0	R0	R23	R10	R0	R0
City Strategies and Organisational Performance	R0	R0	R0	R0	R0	R0	R0
Community and Social Development Services	R172	R187	R205	R205	R165	R282	R245
Community Safety	R62	R85	R147	R274	R332	R386	R783
Customer Relation Management	R0	R4	R4	R5	R0	R33	R23
Economic Development and Spatial Planning	R41	R74	R196	R149	R87	R31	R23
Entities	R392	R421	R36	R320	R274	R280	R399
Environment and Agricultural Management	R31	R58	R58	R77	R73	R43	R209
Executive Mayor (City Manager Specialised Office)	R0	R0	R0	R0	R0	R3	R3
Group Audit and Risk	R25	R25	R25	R25	R25	R0	R0
Group Communication, Marketing & Events	R0	R0	R0	R0	R0	R0	R0
Group Financial Services	R41	R1	R2	R10	R10	R10	R21
Group Human Capital Management	R0	R0	R0	R0	R0	R12	R6
Group Legal Services	R0	R0	R0	R0	R0	R0	R0
Group Property Management	R0	R15	R10	R20	R10	R5	R105
Health Services	R50	R43	R0	R138	R230	R296	R383
Housing and Human Settlement	R965	R762	R712	R313	R182	R1 471	R333
Regional Operations & Coordination (ROC)	R1	R6	R5	R41	R9	R24	R46
Roads and Transport	R1 217	R1 139	R1 351	R1 556	R2 973	R1 818	R1 436
Shared Services	R181	R253	R320	R313	R342	R132	R75
Specialist Units	R0	R0	R0	R0	R0	R0	R0

¹¹ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Units	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
Utility Services	R1 286	R1 596	R1 774	R1 632	R1 679	R1 906	R2 022
Total	R4 463	R4 671	R4 845	R5 100	R6 402	R6 733	R6 112

Units	2027 / 2028	2028 / 2029	2029 / 2030	MTREF	Total	% of MTREF	% of Total
City Manager	R0	R0	R0	R0	R33	0%	0%
City Strategies and Organisational Performance	R0	R0	R0	R0	R0	0%	0%
Community and Social Development Services	R13	R0	R0	R564	R1 474	4%	3%
Community Safety	R964	R904	R852	R294	R4 788	2%	9%
Customer Relation Management	R0	R2	R2	R7	R72	0%	0%
Economic Development and Spatial Planning	R6	R3	R19	R312	R630	2%	1%
Entities	R16	R0	R0	R850	R2 139	6%	4%
Environment and Agricultural Management	R213	R273	R299	R147	R1 333	1%	3%
Executive Mayor (City Manager Specialised Office)	R3	R0	R0	R0	R9	0%	0%
Group Audit and Risk	R0	R0	R0	R75	R126	1%	0%
Group Communication, Marketing & Events	R0	R0	R0	R1	R1	0%	0%
Group Financial Services	R10	R0	R0	R43	R104	0%	0%
Group Human Capital Management	R0	R0	R0	R1	R19	0%	0%
Group Legal Services	R0	R0	R0	R1	R1	0%	0%
Group Property Management	R0	R0	R0	R25	R165	0%	0%
Health Services	R406	R355	R3	R94	R1 905	1%	4%
Housing and Human Settlement	R80	R15	R0	R2 439	R4 833	17%	9%
Regional Operations & Coordination (ROC)	R39	R13	R0	R12	R184	0%	0%
Roads and Transport	R1 338	R488	R429	R3 706	R13 745	27%	27%
Shared Services	R80	R40	R30	R753	R1 767	5%	3%
Specialist Units	R0	R0	R0	R0	R0	0%	0%
Utility Services	R1 835	R2 347	R1 886	R4 656	R17 962	33%	35%

Units	2027 / 2028	2028 / 2029	2029 / 2030	MTREF	Total	% of MTREF	% of Total
Total	R5 002	R4 440	R3 521	R13 980	R51 289	100%	100%

From the table above, the following is of importance to note:

- A large portion of the capital budget is allocated to several key infrastructure departments with a focus on creating infrastructure, at a total of 71% of the total budget.
- Utility Services has the largest portion of capital allocated, comprising of Electricity and Water and Sanitation accounting for 35% of the total capital budget over the 10-year planning horizon.
- Roads and Transport (comprising of Airports, Public Transport, and Roads and Stormwater), has a total budget of R13bn, allocated in the total 10-year capital budget, making it the second largest unit at 27% of the total budget. With Community Safety and Housing and Human Settlement as the third biggest contributor to the total capital budget with each having 9%.
- Utility services and Roads and Transport dominate the 2020/21 MTREF budget allocations with 33% (R4,6bn) and 26,5% (R3,7bn) respectively, followed by Housing and Human Settlement at 17% (R2,4bn).
- National Treasury places emphasis on the integration and collaborative planning which should occur between Housing and Human Settlements and Roads and Transport, particularly within integration zones. The need for this collaborative and integrated planning is demonstrated by the fact that these two departments collectively consume 43% (R6,1bn) of the 2020/21 MTREF capital budget.
- The current 2020/21 MTREF analysis indicates the Top 3 units as Utility Services, Roads and Transport and Housing and Human Settlements accounting for 77% of the total 2020/21 MTREF. The budget allocation within the MTREF indicates that the main focus of the budget is within infrastructure.

The departments with the largest capital budgets are infrastructure related departments. The integration and collaboration of infrastructure services investments within the same spatial area is a requirement from National Treasury. Infrastructure investments within the City ensures a better basic service delivery and an increase rates base in future. The City's intent on providing basic services are evident in the total amount of capital budget allocation towards infrastructure services.

18.3.4.2 Departments

The 10-year 2020/21 capital budget analysis by Tshwane Departments, is shown in Figure 73 and Table 26 respectively.

Figure 73 10-year 2020/21 Capital Budget per Department (R'000)

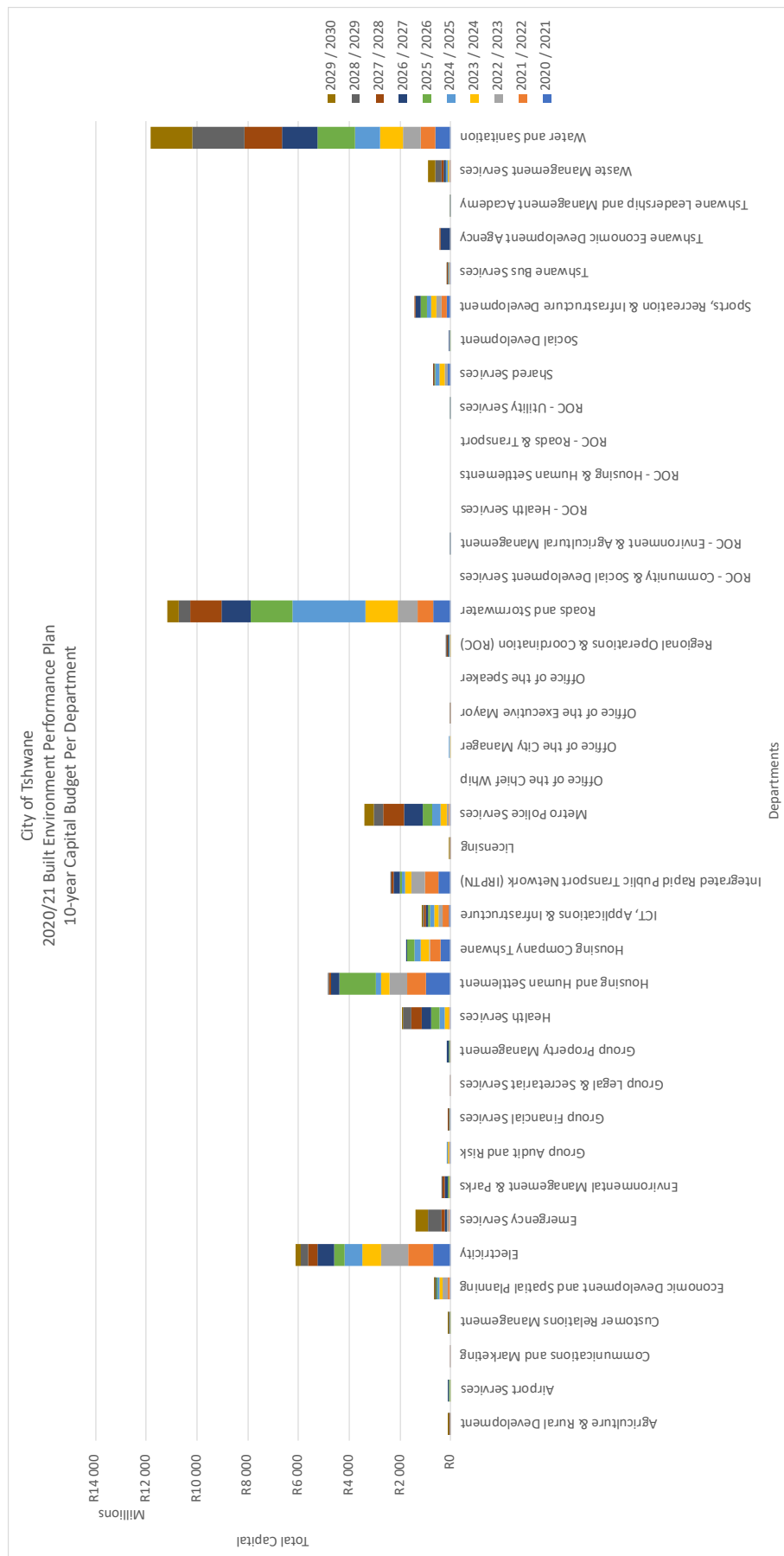


Table 26 10-year 2020/21 Capital Budget Department (R'000)¹²

Department	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
Agriculture & Rural Development	R5	R7	R7	R2	R1	R0	R28
Airport Services	R0	R0	R0	R4	R0	R68	R35
Communications and Marketing	R0	R0	R0	R0	R0	R0	R0
Customer Relations Management	R0	R4	R4	R5	R0	R33	R23
Economic Development and Spatial Planning	R41	R74	R196	R149	R87	R31	R23
Electricity	R677	R1 004	R1 075	R747	R679	R419	R634
Emergency Services	R32	R55	R55	R11	R6	R6	R59
Environmental Management & Parks	R17	R12	R12	R30	R22	R23	R114
Group Audit and Risk	R25	R25	R25	R25	R25	R0	R0
Group Financial Services	R41	R1	R2	R10	R10	R10	R21
Group Legal & Secretariat Services	R0	R0	R0	R0	R0	R0	R0
Group Property Management	R0	R15	R10	R20	R10	R5	R105
Health Services	R50	R43	R0	R138	R230	R296	R383
Housing and Human Settlement	R965	R762	R712	R313	R182	R1 471	R333
Housing Company Tshwane	R392	R421	R35	R320	R274	R280	R6
ICT, Applications & Infrastructure	R81	R253	R170	R133	R162	R102	R75
Integrated Rapid Public Transport Network (IRPTN)	R505	R519	R519	R261	R105	R80	R257
Licensing	R0	R0	R0	R0	R0	R0	R5
Metro Police Services	R30	R30	R92	R263	R326	R381	R724
Office of the Chief Whip	R0	R0	R0	R0	R0	R0	R0
Office of the City Manager	R0	R0	R0	R23	R10	R0	R0

¹² Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Department	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
Office of the Executive Mayor	R0	R0	R0	R0	R0	R3	R3
Office of the Speaker	R0	R0	R0	R0	R0	R0	R0
Regional Operations & Coordination (ROC)	R1	R6	R5	R40	R6	R14	R30
Roads and Stormwater	R692	R598	R810	R1 271	R2 848	R1 670	R1 131
ROC - Community & Social Development Services	R0	R0	R0	R0	R0	R0	R0
ROC - Environment & Agricultural Management	R0	R0	R0	R1	R3	R0	R15
ROC - Health Services	R0	R0	R0	R0	R0	R0	R0
ROC - Housing & Human Settlements	R0	R0	R0	R0	R0	R0	R0
ROC - Roads & Transport	R0	R0	R0	R0	R0	R0	R0
ROC - Utility Services	R0	R0	R0	R0	R0	R11	R1
Shared Services	R100	R0	R150	R180	R180	R30	R0
Social Development	R0	R0	R0	R0	R0	R40	R40
Sports, Recreation & Infrastructure Development	R172	R187	R205	R205	R165	R242	R205
Tshwane Bus Services	R20	R21	R21	R20	R20	R0	R8
Tshwane Economic Development Agency	R1	R1	R1	R0	R0	R0	R393
Tshwane Leadership and Management Academy	R0	R0	R0	R0	R0	R12	R6
Waste Management Services	R9	R40	R40	R45	R50	R20	R67
Water and Sanitation	R609	R592	R699	R885	R1 000	R1 487	R1 387
Total	R4 463	R4 671	R4 845	R5 100	R6 402	R6 733	R6 112

Department	2027 / 2028	2028 / 2029	2029 / 2030	MTREF	Total	MTREF %	% of Total
Agriculture & Rural Development	R23	R18	R9	R18	R98	0%	0%
Airport Services	R0	R0	R0	R0	R107	0%	0%
Communications and Marketing	R0	R0	R0	R1	R1	0%	0%

Department	2027 / 2028	2028 / 2029	2029 / 2030	MTREF	Total	MTREF %	% of Total
Customer Relations Management	R0	R2	R2	R7	R72	0%	0%
Economic Development and Spatial Planning	R6	R3	R19	R312	R630	2%	1%
Electricity	R380	R283	R234	R2 755	R6 131	20%	12%
Emergency Services	R144	R551	R481	R142	R1 399	1%	3%
Environmental Management & Parks	R85	R30	R0	R40	R343	0%	1%
Group Audit and Risk	R0	R0	R0	R75	R126	1%	0%
Group Financial Services	R10	R0	R0	R43	R104	0%	0%
Group Legal & Secretariat Services	R0	R0	R0	R1	R1	0%	0%
Group Property Management	R0	R0	R0	R25	R165	0%	0%
Health Services	R406	R355	R3	R94	R1 905	1%	4%
Housing and Human Settlement	R80	R15	R0	R2 439	R4 833	17%	9%
Housing Company Tshwane	R0	R0	R0	R848	R1 728	6%	3%
ICT, Applications & Infrastructure	R80	R40	R30	R503	R1 126	4%	2%
Integrated Rapid Public Transport Network (IRPTN)	R85	R20	R0	R1 544	R2 352	11%	5%
Licensing	R12	R0	R2	R0	R20	0%	0%
Metro Police Services	R820	R352	R371	R152	R3 389	1%	7%
Office of the Chief Whip	R0	R0	R0	R0	R0	0%	0%
Office of the City Manager	R0	R0	R0	R0	R33	0%	0%
Office of the Executive Mayor	R3	R0	R0	R0	R9	0%	0%
Office of the Speaker	R0	R0	R0	R0	R0	0%	0%
Regional Operations & Coordination (ROC)	R39	R13	R0	R12	R154	0%	0%
Roads and Stormwater	R1 239	R468	R427	R2 100	R11 153	15%	22%
ROC - Community & Social Development Services	R0	R0	R0	R0	R0	0%	0%
ROC - Environment & Agricultural Management	R0	R0	R0	R0	R19	0%	0%

Department	2027 / 2028	2028 / 2029	2029 / 2030	MTREF	Total	MTREF %	% of Total
ROC - Health Services	R0	R0	R0	R0	R0	0%	0%
ROC - Housing & Human Settlements	R0	R0	R0	R0	R0	0%	0%
ROC - Roads & Transport	R0	R0	R0	R0	R0	0%	0%
ROC - Utility Services	R0	R0	R0	R0	R11	0%	0%
Shared Services	R0	R0	R0	R250	R640	2%	1%
Social Development	R0	R0	R0	R0	R80	0%	0%
Sports, Recreation & Infrastructure Development	R13	R0	R0	R564	R1 394	4%	3%
Tshwane Bus Services	R2	R0	R0	R63	R113	0%	0%
Tshwane Economic Development Agency	R16	R0	R0	R2	R411	0%	1%
Tshwane Leadership and Management Academy	R0	R0	R0	R1	R19	0%	0%
Waste Management Services	R105	R225	R290	R90	R892	1%	2%
Water and Sanitation	R1 454	R2 065	R1 652	R1 901	R11 831	14%	23%
Total	R5 002	R4 440	R3 521	R13 980	R51 289	100%	100%

From the table above, the following is of importance to note:

- Within the total 10-year capital budget four of the three of the 39 departments have 57% of the budget, namely Water and Sanitation, Roads and Stormwater and Electricity.
- The total MTREF budget allocation based on departments indicates that 5 of the 39 departments have of the total MTREF budget allocations. These departments are Electricity (20%), Housing and Human Settlement (17%), Roads and Stormwater (15%), Water and Sanitation (14%) and Integrated Rapid Public Transport Network (IRPTN) (11%).
- Indicating that the five departments receives the largest capital allocation by far and represents 77% of the 2020/21 MTREF allocation. Infrastructure is responsible for the majority of basic service delivery within the city and the capital budget indicates the same intent.
- The flattening out of capital budget in the outer years within the 10-year horizon, highlights a concern towards future planning of the City's capital planning process.

19 Resourcing the Metro's Project Pipeline (Spatial Budget Mix)

Section B of this document outlined the identification of spatially transformation areas, based on the city's MSDF and Integration Zones. Given that the GSDF 2030 identifies the importance of existing spatially targeted areas on a municipal level, the areas of focus suggest a strong alignment and inclusion of the nodes and corridors outlined in the MSDF together with the resultant CLDPs.

The following section will take all the spatial transformation areas and analyse the current 10-year capital budget with these areas. Additionally, the need to understand the capital budget based on the administrative boundaries to strengthen the ability to report capital investments by Region and Ward. The IDP requires the capital budget to be expressed based on Regions and Wards. The alignment of the capital budget to the IDP is necessary from an administrative perspective, regarding reporting and administration of the City.

The total 2020/21 MTREF Capital Budget analysis indicates that R3,3 billion (24%) of the MTREF budget is allocated to non-spatially targeted capital projects. Non-spatial capital projects are projects within the MSCOA classification of City Wide or Administrative HQ, not referencing a spatial location. The 2020/21 MTREF comprises of 816 projects, of which 63% is spatially mapped and the total 10-year Capital Budget has an additional 574 projects.

The total 10-year Capital Budget analysis indicates that R11,8 billion (23%) of the total budget is allocated to projects with City Wide, Administrative HQ, not mapped, to be referred to in this section as non-spatial capital projects. These projects although allocated a portion of the capital budget does not require additional spatial reference, each section will only reference the total amount of spatially mapped capital projects.

19.1 Total Budget per Spatial Transformation Evaluation Criteria

19.1.1 Region

The regional capital analysis was undertaken by means of the Tshwane Capital Planning system (CaPS), which allows for spatial referencing and spatial querying of capital projects. Figure 74 and Table 27 shows the 2020/21 10-year Capital Budget per region.

Figure 74 10-year Capital Budget Per Region

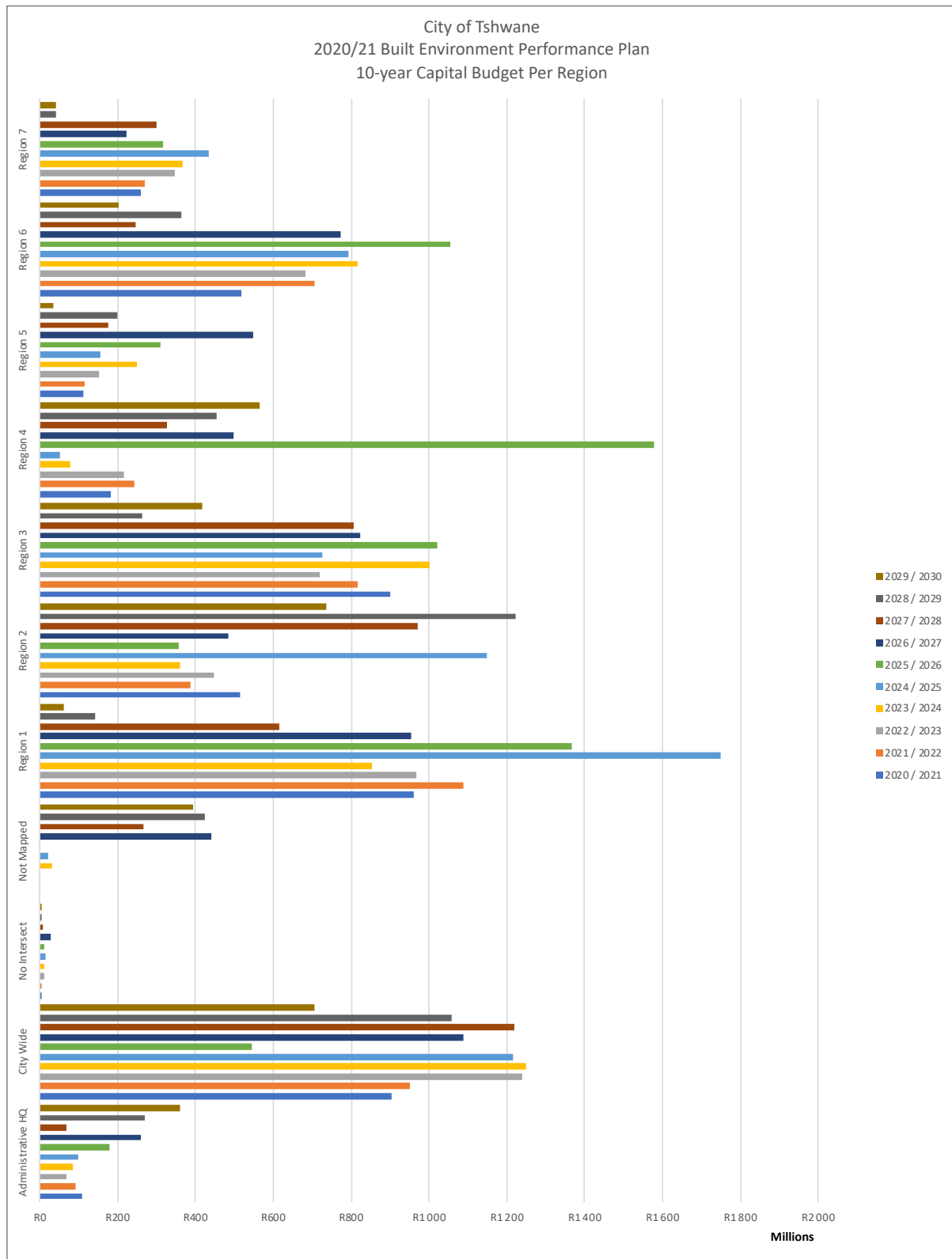


Table 27 2020/21 MTREF Capital Budget Regional Analysis (R'000)¹³

Regions	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
Admin HQ	R108	R92	R67	R86	R97	R177	R258
City Wide	R904	R951	R1 239	R1 250	R1 217	R544	R1 087
Not Mapped	R3	R4	R10	R42	R35	R12	R467
Region 1	R961	R1 088	R968	R854	R1 750	R1 367	R953
Region 2	R515	R387	R447	R360	R1 148	R356	R485
Region 3	R901	R816	R718	R1 000	R724	R1 020	R822
Region 4	R182	R244	R216	R78	R52	R1 577	R499
Region 5	R112	R114	R152	R249	R154	R310	R548
Region 6	R516	R705	R682	R817	R793	R1 055	R771
Region 7	R261	R270	R346	R366	R433	R315	R222
Total	R4 463	R4 671	R4 845	R5 100	R6 402	R6 733	R6 112

Regions	2027 / 2028	2028 / 2029	2029 / 2030	MTREF Total	Total	% MTREF	% Total
Admin HQ	R68	R268	R360	R267	R1 582	2%	4%
City Wide	R1 221	R1 059	R707	R3 095	R7 083	22%	19%
Not Mapped	R276	R430	R397	R18	R1 658	0%	4%
Region 1	R615	R142	R60	R3 017	R5 741	22%	15%
Region 2	R972	R1 222	R735	R1 349	R5 277	10%	14%
Region 3	R805	R261	R417	R2 436	R5 049	17%	14%
Region 4	R326	R453	R566	R641	R3 551	5%	10%
Region 5	R174	R200	R35	R378	R1 670	3%	4%
Region 6	R247	R365	R202	R1 903	R4 249	14%	11%
Region 7	R299	R41	R42	R876	R1 716	6%	5%
Total	R5 002	R4 440	R3 521	R13 980	R37 310	100%	100%

¹³ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

City of Tshwane Built Environment Performance Plan (BEPP)

2020/21 10-Year Capital Budget per Region

Legend

- 25KM Radius
- Development Corridor
- Gautrain Rail
- 00 National Freeway
- 01 National Route
- 02 Provincial Freeway
- 03 Provincial Route
- 2020/21 MTREF Draft Budget
- 22%
- 17%
- 14%
- 10%
- 8%
- 6%
- 5%
- 3%

DISCLAIMER:

The information on this map was derived from various sources. Care was taken in the creation of this map. Novus3 cannot accept any responsibility for errors, omissions, or positional accuracy. There are no warranties, expressed or implied, accompanying this product. However, notification of any errors.

NOVUS3

CAPS

Capital Strategy

NOT TO SCALE

From the table above, the following is of importance to note:

- A large portion of the 2020/21 MTREF capital budget (24% or R3,3bn) and 10-year 2020/21 capital budget (23,1% or R11,8bn) is non-spatially targeted (i.e. City-wide or Administrative Headquarters)
- Region 1, 2, 3 and 6 receive the largest portion of the capital budget, accounting for 62% of the total 2020/21 MTREF capital budget. Region 1 has been allocated the highest portion of the total 2020/21 MTREF capital budget at 22%, followed by Region 3 at 17% and Region 6 at 14%.
- In total 74% of the total 10-year budget is spatially mapped and have a total of the 10-year 2020/21 capital budget within all 7 regions is 73%, with Region 1,2,3 and 6 receiving each more than 10% of the 73%.

The IDP indicated that Regions 6, 3, 1 and 4 have the high number of residents without any electricity. The spatial targeted budget within these regions aligns with the identified areas to infrastructure investments by addressing the electricity for all infrastructure drive of the city's vision. Additionally, region 1 and region 6 were previously marginalised areas, and the boost of investments within these regions will provide these regions with better services, strengthening the City's vision to be pro-poor in the capital budget. Region 1 includes Rosslyn, strengthening the area towards industrial development, as one of the highest investment areas within the city.

19.1.2 Top 25 Wards

The 2020/21 MTREF capital budget analysis shows that Ward 58 receives R 754 million (5%) of the total MTREF capital budget, whereas the remainder of the budget is distributed over the various wards (refer to Table 28). Ward 58, 102, 55, 32, and 19 receive the highest capital expenditure allocation in the 2020/21 MTREF capital budget, amounting to approximately R2,7 bn or 20%. Within the total 10-year 2020/21 capital budget the analysis shows that Ward 96 receives R3 billion (6%) of the total 10-year 2020/21 capital budget, and ward 58, 102, 60 and 100 receive the highest capital expenditure allocation in the total 10-year 2020/21 capital budget, amounting to approximately R6,2 bn or 12%. The capital expenditure analysis based on wards is an administrative view on the capital budget more than a spatially targeted lens, as ward demarcation is based on population per square kilometre.

Ward 96, and part of the Rosslyn development node, has the overall highest budget allocation within the 10-year 2020/21 capital budget with approximately R3 billion (6%) worth of capital investments over the period. Ward 58 has the highest capital expenditure allocation in the MTREF, this ward's highest departmental contributors are the Housing Company of Tshwane and the IRPTN, the ward is located in the CBD including a section of Pretoria West. The top 25 wards accounts for 25% of the total 10-year 2020/21 capital budget with the top 5 being 18% of the total budget.

Figure 76 10-year Capital Budget per Top 25 Wards Analysis

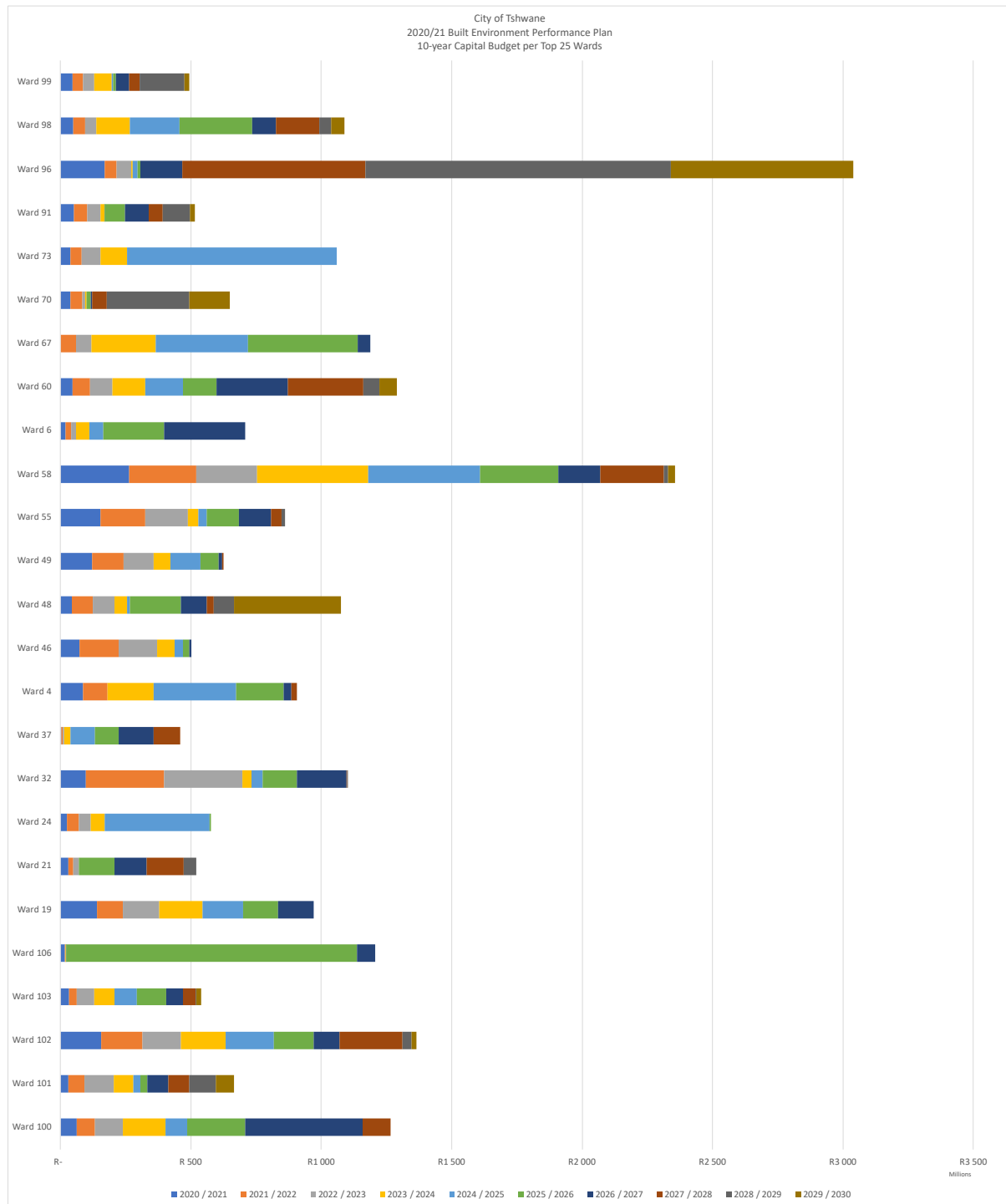


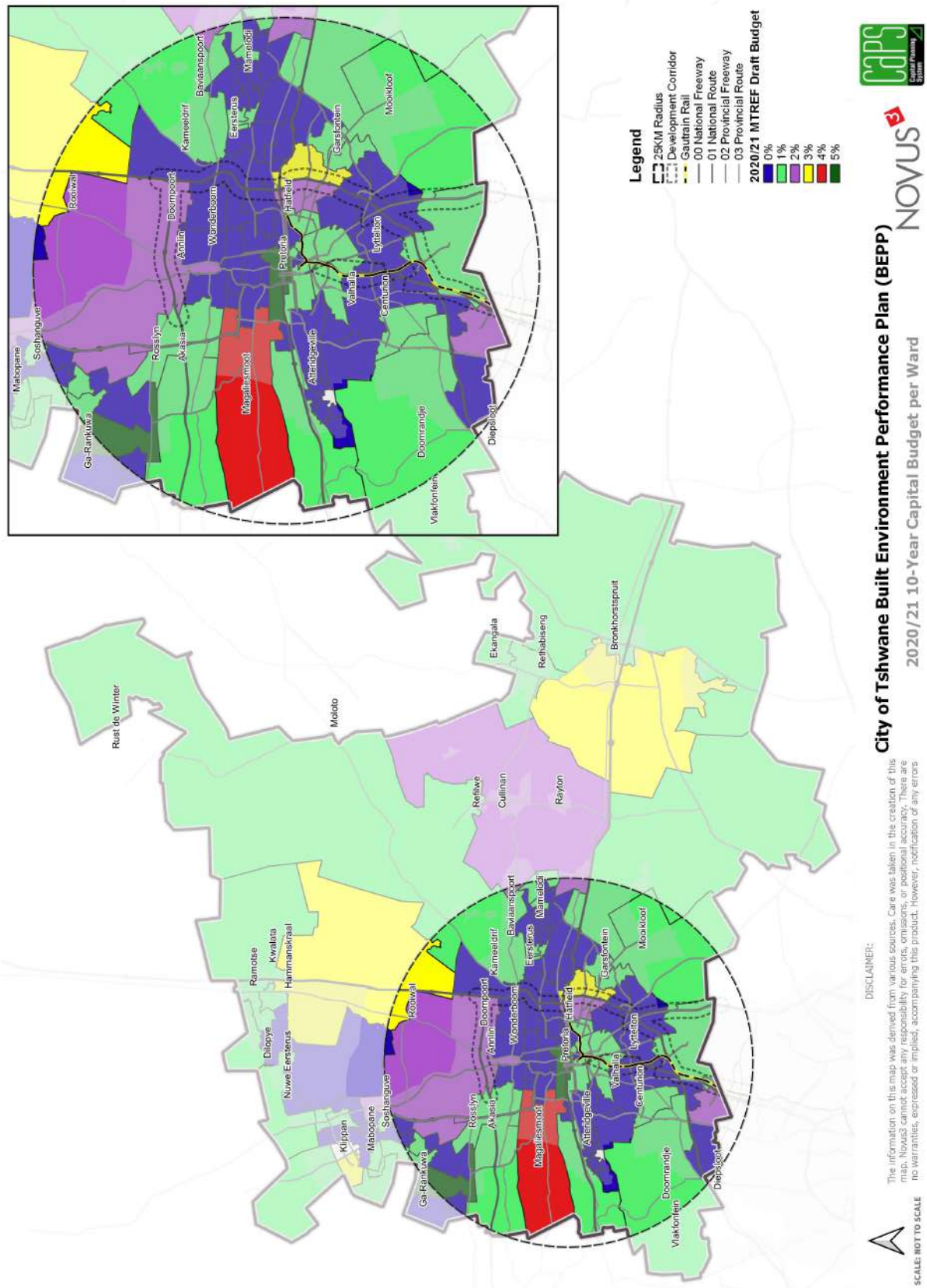
Table 28 10-year Capital Budget per Top 25 Ward Analysis (R'000) sorted by 10-year budget¹⁴

Wards	2020 / 2021	2021 / 2022	2022 / 2023	2023 / 2024	2024 / 2025	2025 / 2026	2026 / 2027
Ward 96	R171	R44	R56	R5	R19	R11	R163
Ward 58	R264	R257	R232	R426	R428	R300	R161
Ward 102	R156	R158	R148	R173	R183	R155	R99
Ward 60	R46	R67	R88	R124	R144	R131	R273
Ward 100	R63	R68	R107	R164	R84	R223	R450
Ward 106	R16	R2	R2	R2	R2	R1 113	R70
Ward 67	R0	R60	R60	R245	R354	R419	R50
Ward 32	R97	R300	R300	R36	R43	R132	R190
Ward 98	R50	R43	R43	R129	R192	R279	R90
Ward 48	R43	R81	R85	R47	R12	R196	R97
Ward 73	R39	R42	R72	R103	R803	R0	R0
Ward 19	R140	R100	R140	R165	R156	R134	R135
Ward 4	R86	R95	R0	R175	R316	R182	R32
Ward 55	R153	R173	R163	R40	R33	R123	R124
Ward 6	R20	R20	R20	R50	R54	R233	R312
Ward 101	R31	R62	R112	R75	R27	R29	R79
Ward 70	R38	R46	R10	R7	R0	R15	R7
Ward 49	R121	R121	R114	R64	R116	R70	R12
Ward 24	R25	R45	R45	R53	R404	R4	R0
Ward 103	R34	R29	R66	R77	R87	R112	R65
Ward 21	R30	R20	R20	R0	R0	R137	R125
Ward 91	R52	R51	R51	R16	R1	R77	R90
Ward 46	R73	R149	R149	R66	R33	R22	R8
Ward 99	R47	R41	R41	R68	R5	R10	R50
Ward 37	R4	R6	R6	R24	R93	R92	R132
Total	R1 798	R2 079	R2 130	R2 336	R3 587	R4 199	R2 813

¹⁴ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Wards	2027 / 2028	2028 / 2029	2029 / 2030	MTREF Total	Total	MTREF %	Total %
Ward 96	R702	R1 171	R698	R271	R3 038	2%	6%
Ward 58	R243	R17	R27	R754	R2 356	5%	5%
Ward 102	R240	R35	R20	R462	R1 366	3%	3%
Ward 60	R289	R63	R65	R200	R1 288	1%	3%
Ward 100	R105	R0	R0	R238	R1 264	2%	2%
Ward 106	R0	R0	R0	R20	R1 207	0%	2%
Ward 67	R0	R0	R0	R120	R1 188	1%	2%
Ward 32	R1	R0	R0	R697	R1 099	5%	2%
Ward 98	R165	R47	R50	R137	R1 089	1%	2%
Ward 48	R28	R76	R411	R208	R1 075	1%	2%
Ward 73	R0	R0	R0	R153	R1 060	1%	2%
Ward 19	R0	R0	R0	R380	R970	3%	2%
Ward 4	R20	R0	R0	R181	R906	1%	2%
Ward 55	R39	R14	R0	R489	R861	4%	2%
Ward 6	R0	R0	R0	R60	R709	0%	1%
Ward 101	R82	R100	R70	R204	R665	1%	1%
Ward 70	R56	R315	R155	R94	R649	1%	1%
Ward 49	R6	R0	R0	R356	R626	3%	1%
Ward 24	R0	R0	R0	R115	R576	1%	1%
Ward 103	R47	R3	R20	R129	R540	1%	1%
Ward 21	R141	R50	R0	R70	R522	1%	1%
Ward 91	R55	R105	R20	R153	R516	1%	1%
Ward 46	R0	R0	R0	R372	R501	3%	1%
Ward 99	R40	R172	R20	R129	R495	1%	1%
Ward 37	R103	R0	R0	R15	R459	0%	1%
Total	R2 361	R2 167	R1 555	R6 007	R25 025	100%	100%

Figure 77 Spatial 2020/21 10-year Capital Budget per Ward



19.1.3 MSDF Targeting

19.1.3.1 City of Tshwane 2020/21 10-year Capital Budget Spatial Targeting by MSDF Element

The 10-year and MTREF 2020/21 capital budget spatial targeting analysis by MSDF spatial structuring elements, is shown in Figure 78 and Table 29 respectively.

Figure 78 10-year Capital Budget per MSDF

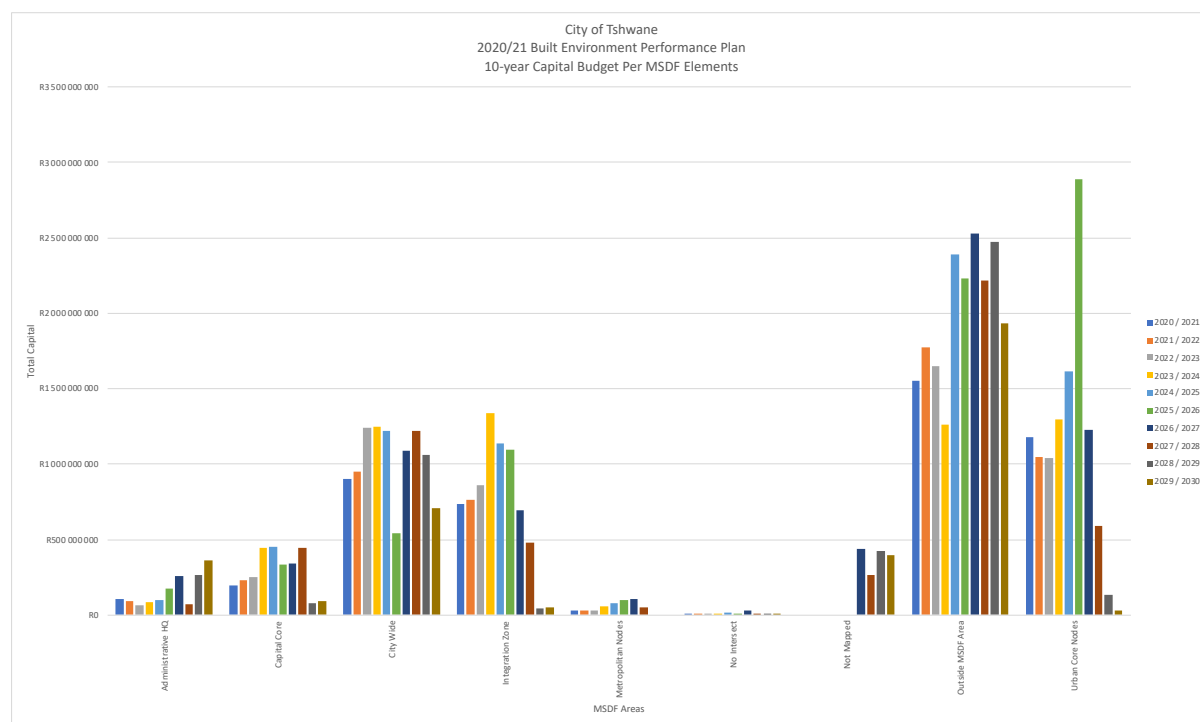


Table 29 MTREF Capital Budget MSDF Analysis (R'000)¹⁵

MSDF Elements	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF
Capital Core	R192	R233	R254	R680	5%
Integration Zone	R735	R761	R860	R2 356	17%
Metropolitan Nodes	R32	R31	R30	R93	1%
Outside MSDF Area	R1 553	R1 775	R1 652	R4 980	36%
Urban Core Nodes	R1 176	R1 046	R1 043	R3 266	23%
Total	R3 688	R3 847	R3 839	R11 374	81%

¹⁵ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 79 Spatial 2020/21 10-year Capital Budget per MSDF Element



From the table and figure above, the following is of importance to note:

- The comparative budget analysis of the 2020/21 MTREF capital budget by MSDF nodal area indicates that the largest portion of the budget has been allocated to the Urban Core Nodes with a total of R3,2 billion (23%) of the total 2020/21 MTREF budget.
- The MSDF analysis shows that approximately R2,3 billion (16%) is within the Integration Zone for the total 2020/21 MTREF capital budget.
- A total of R5,7 billion (39%) of the 2020/21 MTREF budget is within one of three MSDF zones spatially.
- R2,3bn (17%) of the 2020/21 MTREF capital budget is spatially targeted towards the Integration Zones.
- Only R476m (1%) of the 2020/21 MTREF capital budget is spatially targeted towards the Metropolitan Nodes.
- 36% of the MTREF capital budget does not align with any of the MSDF areas.
- It is further noteworthy that in Figure 79, a clustering of capital budget is noted outside the MSDF areas in the Magaliesmoot area, this area comprises of housing and the IRPTN projects, within ward 58.

The 2020/21 MTREF capital budget, partially aligns with the MSDF at 39% of the capital being spend within the MSDF areas the amount of capital spend outside of the spatially targeted areas is 36%. This partial alignment can be due to a few variables and should be investigated to ensure locations of projects are correct and the projects that have been allocated capital are within the scope and vision of the City. The clustering of capital projects outside the MSDF areas, might be due to backlogs and should be investigated, as this area might have been spatially targeted previously.

19.1.3.2 Gauteng 2020/21 MTREF Capital Budget Targeting per Tshwane MSDF Element

The Gauteng Province 2020/21 MTREF expected capital expenditure (ECE) spatial targeting analysis according to MSDF spatial structuring elements, is shown in and respectively.

Figure 80 Gauteng 2020/21 MTREF ECE per Tshwane MSDF (R'000)

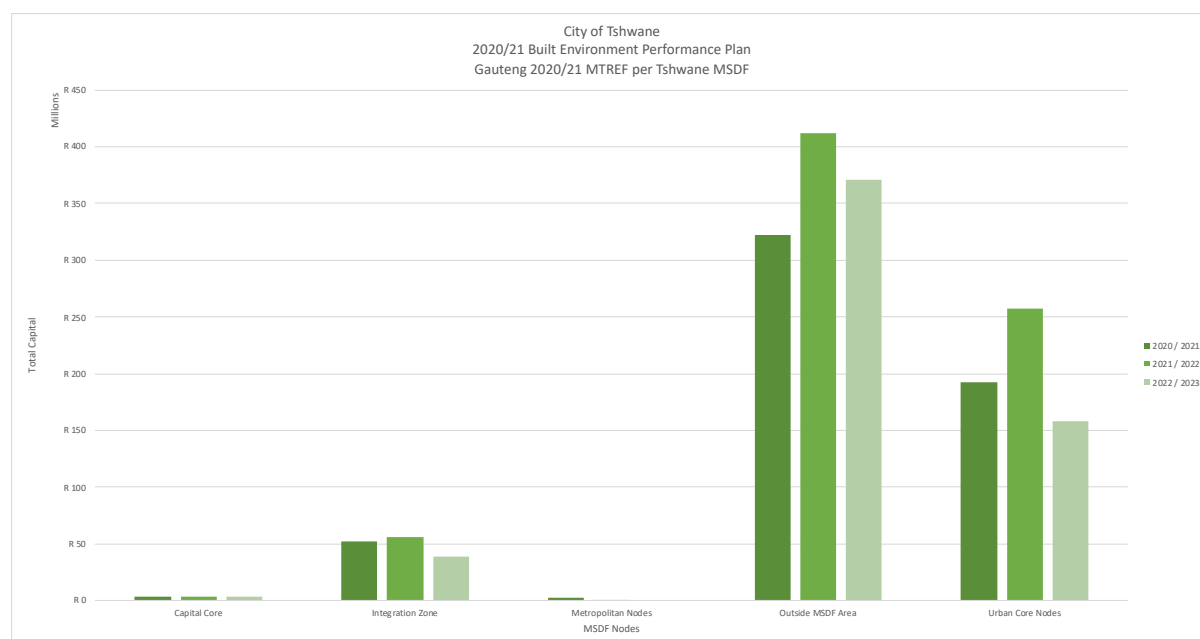
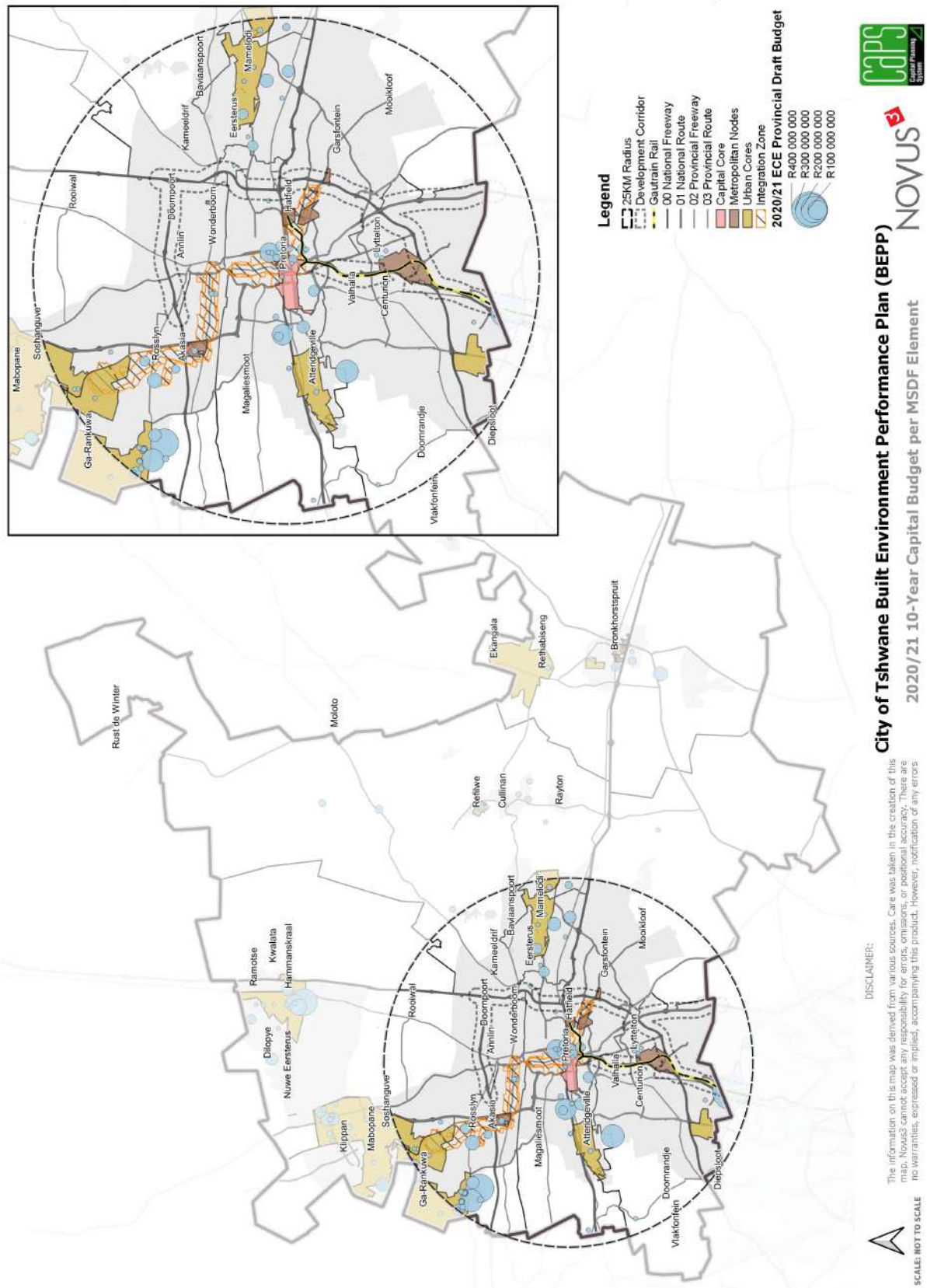


Table 30 Gauteng 2020/21 MTREF ECE per Tshwane MSDF (R'000)¹⁶

MSDF / Provincial Department	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF
Capital Core	R4	R4	R4	R12	0%
Education	R0	R0	R0	R0	0%
Health	R4	R4	R4	R11	0%
Social Development	R0	R0	R0	R1	0%
Integration Zone	R52	R56	R39	R148	1%
Education	R0	R0	R0	R0	0%
Health	R47	R54	R37	R137	1%
Social Development	R4	R2	R2	R8	0%
Sports, Arts, Culture and Recreation	R2	R0	R0	R2	0%
Metropolitan Nodes	R2	R0	R0	R2	0%
Education	R0	R0	R0	R0	0%
Sports, Arts, Culture and Recreation	R2	R0	R0	R2	0%
Outside MSDF Area	R322	R412	R371	R1 105	11%
Education	R0	R0	R0	R0	0%
Health	R321	R321	R292	R934	9%
Human Settlements	R0	R89	R78	R167	2%
Social Development	R1	R1	R1	R4	0%
Urban Core Nodes	R193	R257	R158	R608	6%
Education	R0	R0	R0	R0	0%
Health	R164	R136	R116	R416	4%
Human Settlements	R0	R94	R24	R118	1%
Social Development	R17	R16	R17	R51	0%
Sports, Arts, Culture and Recreation	R12	R11	R0	R23	0%
Total	R574	R729	R572	R1 874	18%
MTREF Total	R2 482	R4 206	R3 510	R10 198	100%

¹⁶ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 81 Spatial Gauteng 2020/21 MTREF ECE per Tshwane MSDF (R'000)



With the spatial analysis of the MSDF with a view on Provincial impact on the total budget allocation to each area can be understood by cross referencing it to that of the provincial department budget within each spatial area as depicted in the table above. The following is of importance to note:

- 82% of the total Gauteng capital budget is not allocated within the City of Tshwane.
- The largest portion of budget is allocated outside of the MSDF Areas R1,1 billion (11%) of the total 2020/21 MTREF budget,
- The largest MSDF area with a budget allocation towards the Urban Core Nodes at 6% of the total budget, R608 million in total over the three-year capital budget.
- Gauteng capital budget investments within the City are from Health and is outside the MSDF Areas, with Education, Human Settlements, Social Development and Sports, totalling the large capital budget outside the MSDF areas at 9% of the total MTREF.
- The largest capital investment by Provincial department within an MSDF area is the Health department with R416 (4%) capital investment within the Urban Core Nodes.
- Although capital budget values are one way of measuring investments, the type of asset should also be taken into account and the purpose of the asset towards the area is another measure.

Provincial investment in comparison to investment made by the City within the MSDF nodes are significantly different. The portion of expenditure (7%) within the MSDF zones of Provincial capital in comparison to the portion of expenditure outside (11%) of the MSDF, suggests a different focus from to that of the City's vision.

19.2 Capital Expenditure Spatial Targeting by Catalytic Land Development Programme

19.2.1 City of Tshwane 2020/21 MTREF Capital Budget Spatial Targeting per CLDP

The 2020/21 MTREF capital budget spatial targeting analysis per Catalytic Land Development Programme (CLDP) area, is shown in Figure 82 and Table 31 respectively.

Figure 82 2020/21 MTREF Capital Budget per CLDP area (R'000)

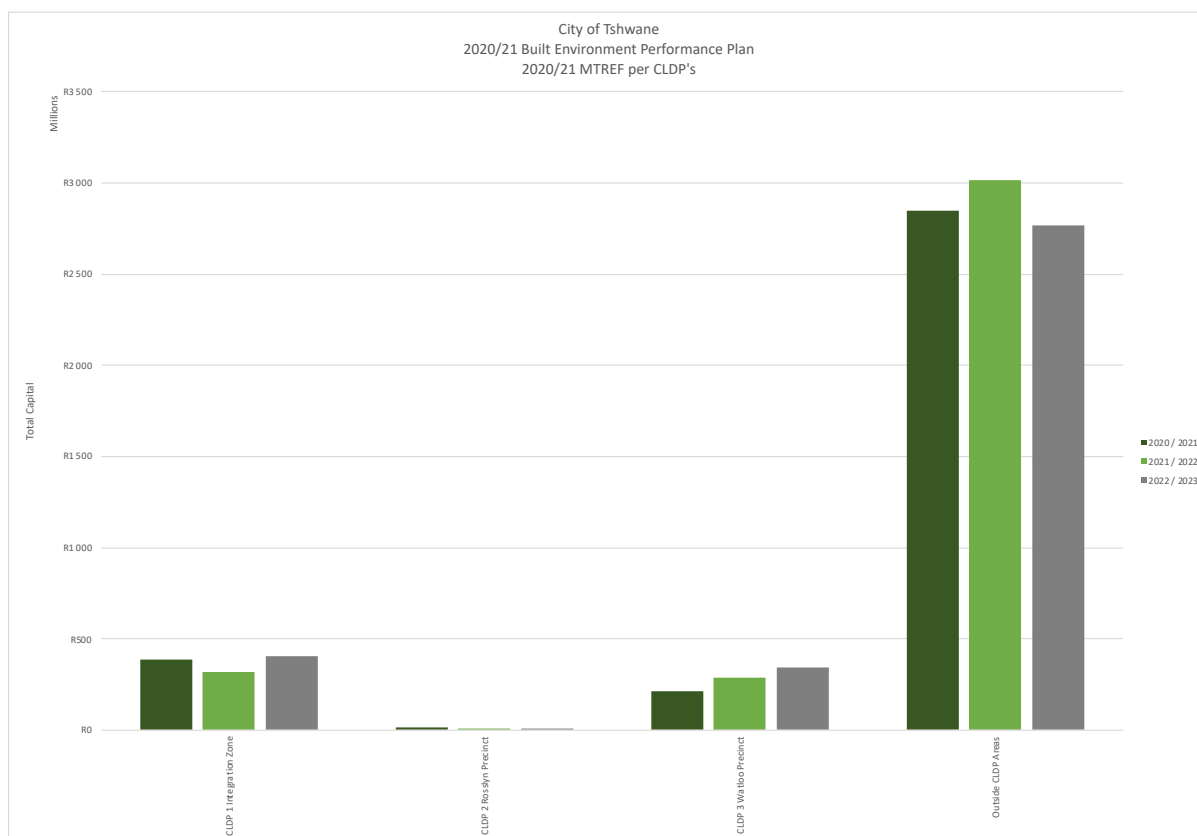
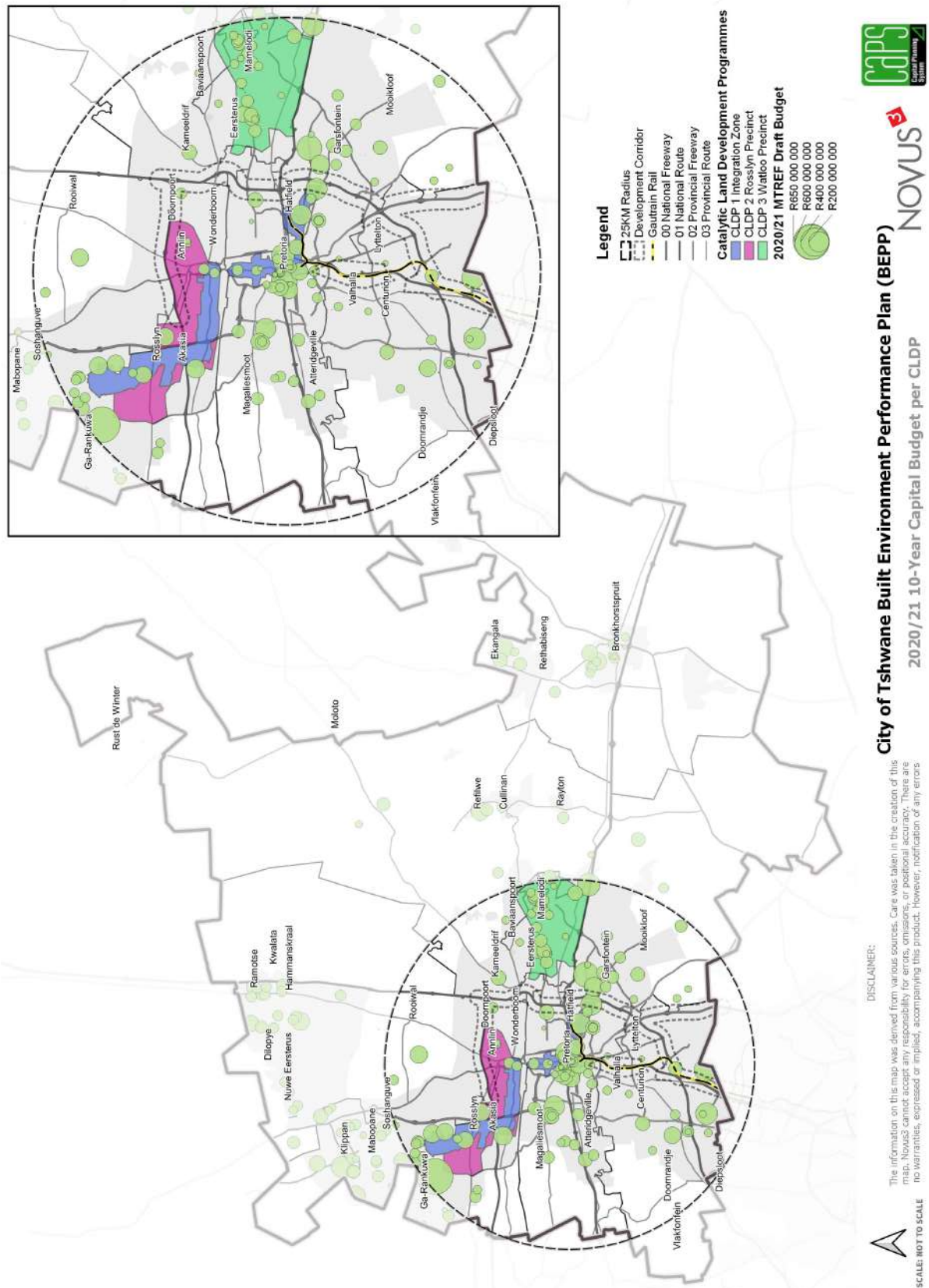


Table 31 2020/21 MTREF Capital Budget CLDP area (R'000)¹⁷

CLDP's	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF
CLDP 1 Integration Zone	R384	R320	R407	R1 111	7,9%
CLDP 2 Rosslyn Precinct	R17	R6	R11	R34	0,2%
CLDP 3 Watloo Precinct	R213	R289	R346	R848	6,1%
Outside CLDP Areas	R2 848	R3 017	R2 770	R8 634	61,8%
Total	R3 461	R3 631	R3 534	R10 627	76,0%
MTREF Total	R4 463	R4 671	R4 845	R13 980	100,0%

¹⁷ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 83 Spatial 10-year 202/21 Capital Budget per CLDP area (R'000)



From the table and figure above, the following is of importance to note:

- The total capital budget allocated towards projects spatially targeted towards the CLDP Zones is R2,9bn (13%) of the total 10-year 2020/21 capital budget.
- The flattening out of capital budget in the outer years within the 10-year horizon, highlights a concern towards future planning of spatially targeted areas within the City's capital planning process.

Spatial targeting of the capital budget within the CLDPs, there is only 15% of the total MTREF that falls within the CLDP zones.

19.2.2 Gauteng 2020/21 MTREF Capital Budget Targeting per Tshwane CLDP

The Gauteng Province 2020/21 MTREF expected capital expenditure spatial targeting analysis per Catalytic Land Development Programme (CLDP) area, is shown in Figure 84 and Table 32 respectively.

Figure 84 Gauteng 2020/21 MTREF ECE per CLDP area (R'000)

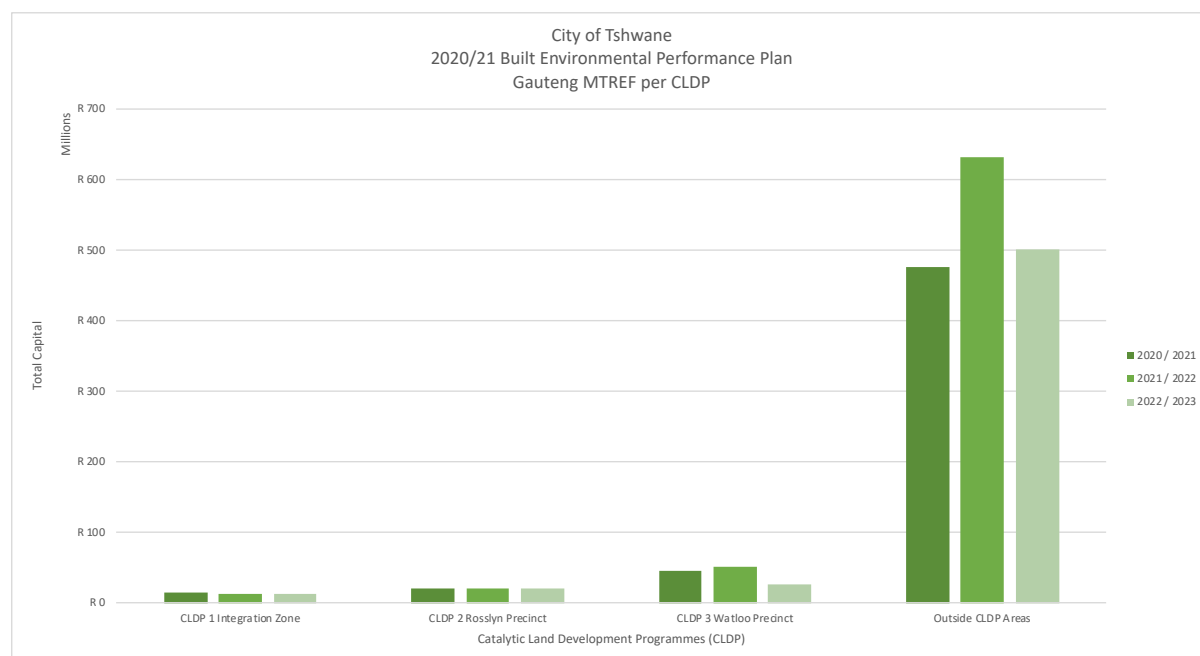
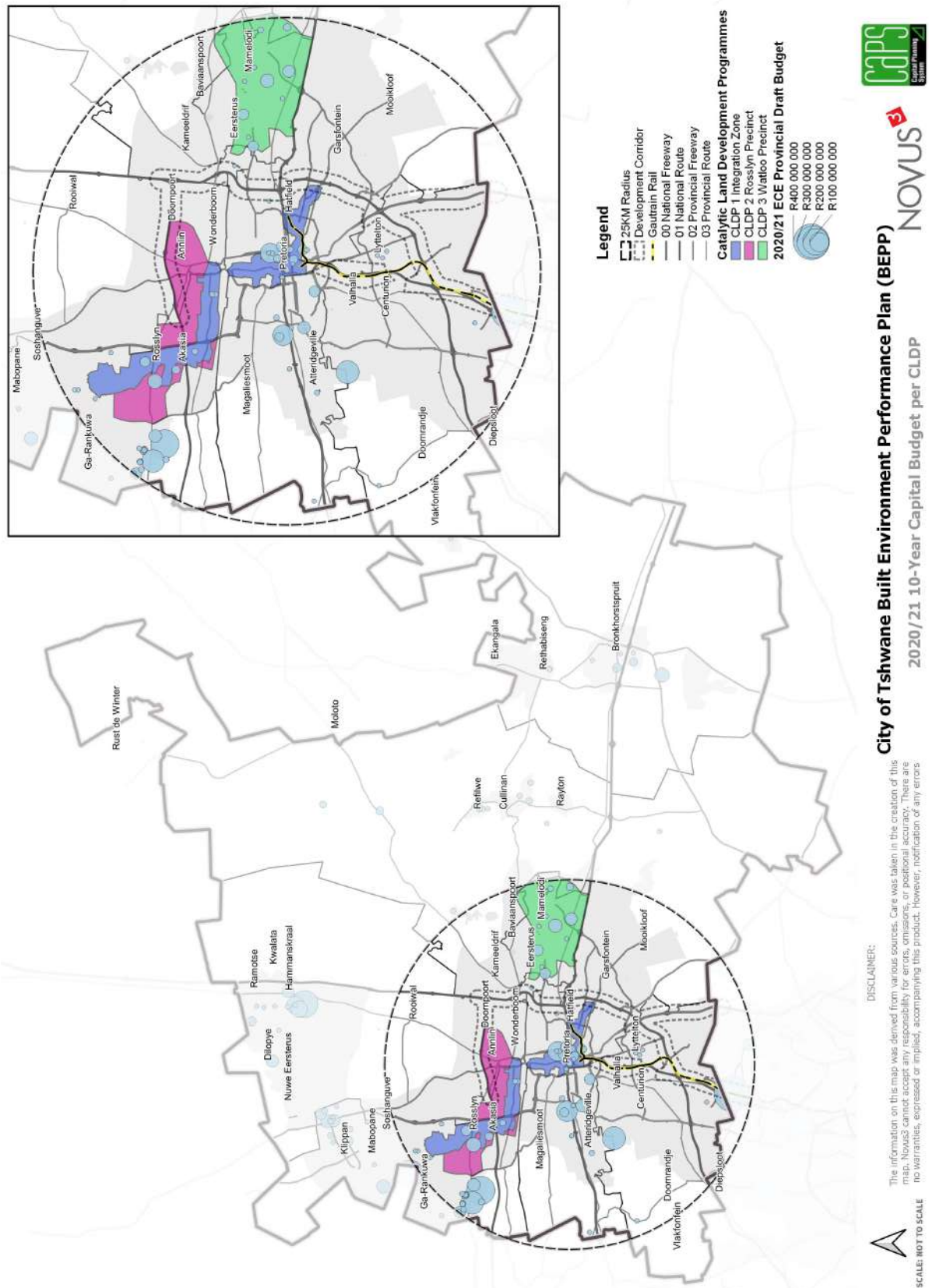


Table 32 Gauteng 2020/21 MTREF ECE per CLDP area (R'000)¹⁸

CLDP Zones	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of total MTREF
CLDP 1 Integration Zone	R15	R13	R13	R41	0,40%
CLDP 2 Rosslyn Precinct	R20	R20	R20	R60	0,59%
CLDP 3 Watloo Precinct	R46	R52	R27	R125	1,22%
Outside CLDP Areas	R477	R631	R501	R1 609	15,78%
Total	R558	R716	R561	R1 834	17,99%
MTREF Total	R2 482	R4 206	R3 510	R10 198	100,00%

¹⁸ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Figure 85 Spatial Gauteng 2020/21 MTREF ECE per CLDP area (R'000)



From the table above, the following is of importance to note:

- The total budget for Gauteng is R10 billion for the 2020/21 MTREF, within the City Gauteng's investment is only 12% of the budget and very evident from Figure 85 showing that most of the Gauteng Provincial budget is not spatially aligning with the CLDPs.
- From the total budget within the City, 88% of the total budget is outside the CLDP areas, with a minimal investment of R125 million (7%) in the Watloo / Silverton Precinct and collectively R101 million (5%) in the Integration Zone and Rosslyn / Wonderboom Precincts.

19.3 Total Budget per Asset Evaluation Criteria

19.3.1 Asset Type

The 2020/21 MTREF capital budget analysis by MSCOA asset classification, is shown in Figure 86 and Table 33 respectively.

Figure 86 2020/21 MTREF Capital Budget per MSCOA Asset Type

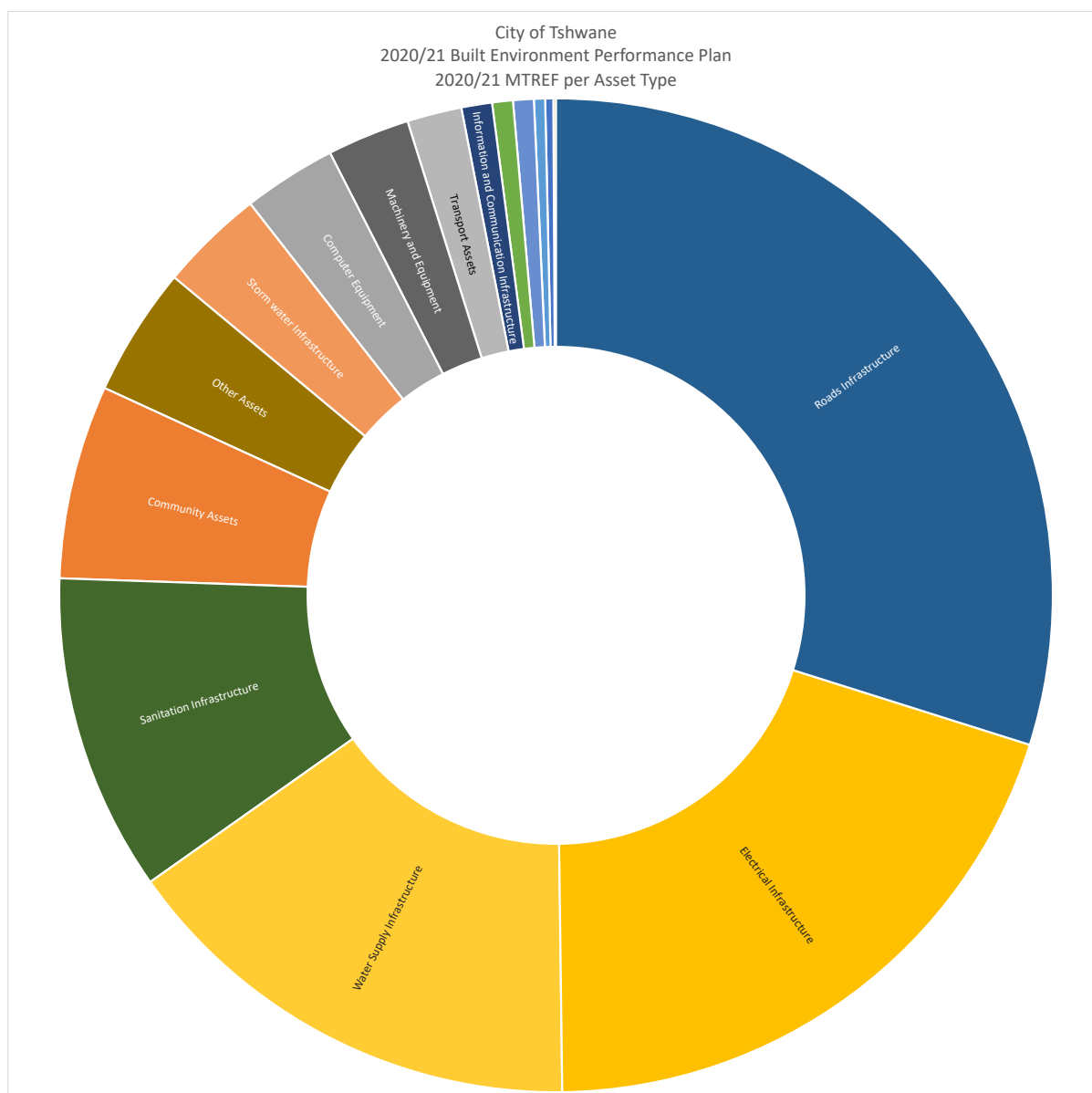


Table 33 2020/21 MTREF Capital Budget per MSCOA Asset Type (R'000)¹⁹

Asset Type	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF Total	10-year Total	% of Total
Biological or Cultivated Assets	R12	R12	R12	R35	0,25%	R153	0,30%
Coastal Infrastructure	R0	R0	R0	R0	0,00%	R19	0,04%

¹⁹ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

Asset Type	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF Total	10-year Total	% of Total
Community Assets	R262	R260	R319	R841	6,01%	R5 004	9,76%
Computer Equipment	R82	R181	R142	R405	2,90%	R841	1,64%
Electrical Infrastructure	R612	R988	R1 059	R2 659	19,02%	R5 663	11,04%
Furniture and Office Equipment	R15	R16	R17	R48	0,35%	R126	0,25%
Heritage Assets	R30	R30	R30	R90	0,64%	R120	0,23%
Information and Communication Infrastructure	R25	R78	R30	R133	0,95%	R762	1,49%
Intangible Assets	R0	R4	R8	R12	0,08%	R170	0,33%
Investment Properties	R0	R0	R0	R0	0,00%	R141	0,28%
Machinery and Equipment	R103	R115	R140	R358	2,56%	R2 467	4,81%
Other Assets	R269	R226	R65	R560	4,01%	R2 926	5,70%
Public Protection and Safety	R0	R0	R0	R0	0,00%	R0	0,00%
Roads Infrastructure	R1 379	R1 189	R1 414	R3 983	28,49%	R10 895	21,24%
Sanitation Infrastructure	R473	R495	R410	R1 378	9,86%	R9 744	19,00%
Solid Waste Infrastructure	R9	R40	R40	R90	0,64%	R892	1,74%
Storm water Infrastructure	R164	R134	R156	R453	3,24%	R2 274	4,43%
Strategic Management and Governance	R0	R0	R0	R0	0,00%	R10	0,02%
Transport Assets	R70	R72	R95	R237	1,70%	R1 404	2,74%
Water Supply Infrastructure	R682	R658	R715	R2 056	14,70%	R5 855	11,42%
Zoo's, Marine and Non-biological Animals	R0	R0	R0	R0	0,00%	R3	0,01%

Asset Type	2020 / 2021	2021 / 2022	2022 / 2023	MTREF	% of MTREF Total	10-year Total	% of Total
MTREF Total	R4 463	R4 671	R4 845	R13 980	100,00%	R51 289	100,00%

From the table above, the following is of importance to note:

- The largest benefactor of the 10-year 2020/21 capital budget is Roads infrastructure with R 10bn (21%); closely followed by Sanitation infrastructure with R9,7 bn (19%);
- The third largest benefactors of the 10-year 2020/21 capital budget are Water Supply with R5,8 bn (12%) and Electrical infrastructure with R5,6 bn (11%),
- The increase in Sanitation Infrastructure in the outer years, suggests the current priority of the city might not be towards Sanitation infrastructure but the need arises in the latter years.
- The 10-year 2020/21 capital budget allocation towards community assets (typically including libraries, community facilities etc.) with R5 bn (10%) of the total budget; A small allocation has been made to computer equipment and machinery and equipment, which fall within the moveable asset category, and;
- Concerning is that low budget allocation made to solid waste with R800 million (2%).

Infrastructure investment is the largest portion of the capital budget in the MTREF and in the 10-year Total budget. The significant decrease in road infrastructure from the MTREF at 29% to the 10-year budget at 21%, indicates the decrease in future infrastructure planning over the 10-year period.

19.3.2 Class Type

The 10-year 2020/21 capital budget analysis by MSCOA asset class, is shown in Figure 87 and Table 34 respectively.

Figure 87 10-year 2020/21 Capital Budget per MSCOA Asset Class (R'000)

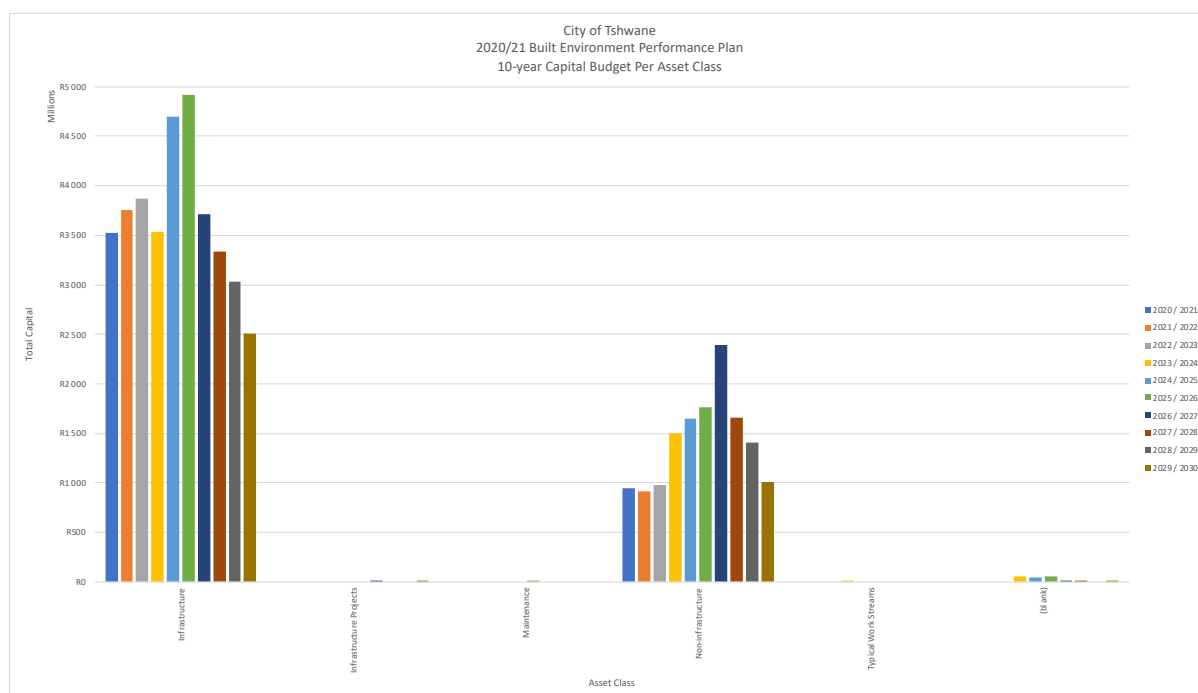


Table 34 10-year 2020/21 Capital Budget per Asset Class (R'000)²⁰

Asset Class	Infrastructure	Infrastructure Projects	Maintenance	Non-infrastructure	Typical Work Streams
2020 / 2021	R3 520	R0	R0	R943	R0
2021 / 2022	R3 756	R0	R0	R915	R0
2022 / 2023	R3 867	R0	R0	R978	R0
2023 / 2024	R3 532	R0	R0	R1 502	R10
2024 / 2025	R4 700	R0	R0	R1 653	R0
2025 / 2026	R4 916	R0	R5	R1 760	R0
2026 / 2027	R3 710	R7	R0	R2 389	R0
2027 / 2028	R3 335	R0	R0	R1 662	R0
2028 / 2029	R3 037	R0	R0	R1 403	R0
2029 / 2030	R2 508	R7	R0	R1 005	R0
Total	R11 144	R0	R0	R2 836	R0
% of MTREF	79,71%	0,00%	0,00%	20,29%	0,00%
10-year Total	R36 881	R14	R5	R14 210	R10
% of 10-year Total	71,91%	0,03%	0,01%	27,71%	0,02%

From the table above, the following is of importance to note:

- Within the MTREF a total of R11 bn (19,71%) is allocated towards Infrastructure related projects, and non-infrastructure related assets at R2 billion (20,29%) of the total MTREF
- The 10-year 2020/21 asset class budget is focused towards Infrastructure at R36 bn (71,91%) and non-infrastructure related assets at R14 bn (27,71%).
- Maintenance at R5million (0,01%) and Typical workstreams at R10million (0,03%) are very low in budget, indicating the main focus of the budget to be on assets that will increase the rates base and or provide basic services.

Infrastructure investment is dominant within the MTREF and the overall 10-year budget. Infrastructure assets are more costly than non-infrastructure asset and integrated planning and phasing should be taken into consideration to ensure all infrastructure investments are spatially aligning. The measure of impact on the budget should also be calculated with spatial targeting and collaborative capital investment as input to capital investment.

²⁰ Draft version of the 2019/20 adjustments budget (7 February 2020) was used to compile the affordability envelopes for 2020/21 and 2021/22. These figures will be updated once the MTREF Capital Budget for 2020/21 has been finalized in April 2020.

20 Institutional Arrangements

20.1 CaPS TTT Guidance

During the 2020/21 budgeting and reporting cycle, the CaPS TTT (refer to Section A) facilitated a number of focus sessions with departments to review and guide the project preparation process outlined in Section C. The objective of these focus session was to guide departments on the spatial and strategic priorities as outlined in the MSDF and IDP during the capital demand planning and capturing process.

The CaPS TTT hosted two rounds of one-on-one focus sessions with the following departments, which have been identified as key infrastructure and service delivery departments:

- Housing and Human Settlements;
- Roads and Transport;
- Water and Sanitation; and
- Electricity.

The first round of one-on-one sessions were held during September 2019 with the objective of communicating the budgeting and planning process for 2020/21 and to determine the planning directive within each department. These sessions also prepared departments for the capturing seasons by highlighting the information requirements and status of project information completion. In conclusion to the discussion the CaPS TTT made the department aware of common capturing errors and how to address these.

The second round of one-on-one sessions were held during October and occurred after the first capturing season. These sessions were targeted towards understanding the planning directive within each department and to guide departments to take note of the following:

- Status of project completion;
- CaPS TTT input towards the planning directive followed within departments;
- Guidelines on project planning which promotes climate change mainstreaming;
- Planning for the entire project lifecycle cost inclusive of pre-project and post-implementation operational costs; and
- Aligning to Catalytic Land Development Programmes and planning in line with the City's spatial targeting areas.

For purposes of the one-on-one sessions the CSU prepared a guideline on Climate Responsiveness and Resilience Strategic Outcomes. The agendas and guideline for round one and two of the one-on-one sessions have been included in Addendum 9.